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SOFT DRINKS ☐ BEER ☐ BOTTLED WATER ☐ WINE ☐ POWDERS ☐ JUICES ☐ SPIRITS

NOVEMBER 5, 1982

Beverage Industry

OLOGY

AN HBJ PUBLICATION

Pack Expo in Chicago

CHICAGO—Pack Expo planners have announced that they expect a record 45,000 people to attend this year's biannual exposition and conference to be held here, at McCormick Place Nov. 15-19.

Over 600 exhibitors have announced that they'll be on hand with new equipment designed for virtually every packaging function currently practiced. An estimated 3,500 packaging and packaging-related converting machines

(Continued on page 8)

FDA progressing toward approval of AN, PVC

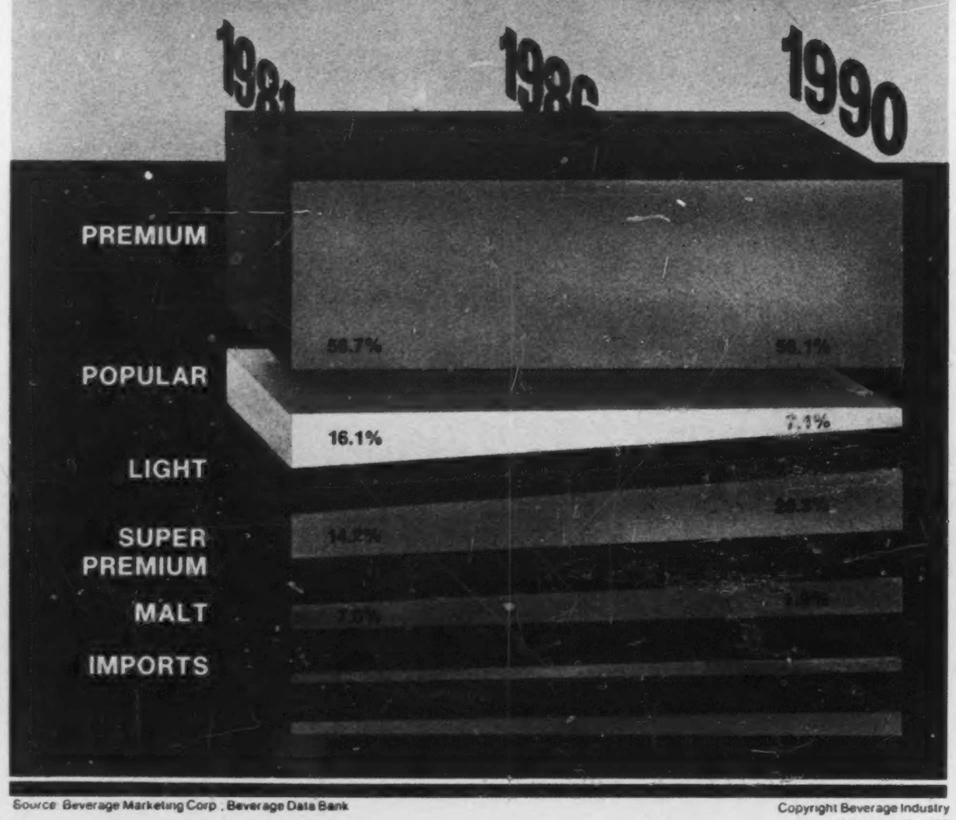
WASHINGTON, DC—The prospect of acrylonitrile (AN) and polyvinyl chloride (PVC) soft drink bottles receiving marketing approval has moved one step closer now that the Food and Drug

(Continued on page 7)

BI Package of the Week

Improved kegs may be draft wine packages of the future. See p. 6

BEER MARKET SEGMENTATION TO CONTINUE



Source: Beverage Marketing Corp., Beverage Data Bank

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Breweries to pursue segmentation; popular share declines as others grow

NEW YORK, NY—As a brewer, how do you decide how to segment your beer brands for maximum profitability? It's a tough choice, says Joseph Doyle, market analyst for Smith Barney Harris Upham & Co. If your production capacity limits you to a specific geographical area, you might position your best seller as a super premium, emphasizing locally-brewed quality.

But you have to remember, Doyle says, that right now and for the foreseeable future, most buying decisions will be made by consumers based on price.

If your brewing capacity is relatively large, you may concentrate on the premium segment; that's where all the volume is, as shown by projections contained in a new study on the U.S. Beer Industry from Beverage Marketing Corporation, located here. The BMC study charts production and share of market for selected brands in their respective categories. It also projects barrelage and share of total market for each category to 1990.

According to Doyle, if a brewer can capture only a

(Continued on page 8)

NSDA to seek legal remedy to school rule

WASHINGTON, DC—The National Soft Drink Association has lost patience with the Agriculture Department and plans to go to court this month in an attempt to over-

(Continued on page 13)

BI Week

- **LA Coca-Cola has signed the amended franchise agreement with Coca-Cola USA. The firm was the largest of a group of approximately 130 Coca-Cola franchises and sub-franchises which have not signed the agreement.**
- **G. D. Searle & Co. has petitioned FDA to permit use**

(Continued on page 31)

SOFT DRINKS □ BEER □ BOTTLED WATER □ WINE □ POWDERS □ JUICES □ SPIRITS NOVEMBER 5, 1982

Beverage Industry

MARKETING □ DISTRIBUTION □ TECHNOLOGY AN HBJ PUBLICATION

Study: wine to grow 6.5% per year will reach 1 billion gallons by 1992

COMMACK, NY—Wine will be the fastest growing beverage category during this decade, experiencing a growth rate of 6.5% per year from now to 1992, surpassing the 1 billion gallon level that year. The value of domestic vintners' sales should more than double, from $2.8 billion this year to $6.3 billion in 1992.

Amid this growth, the industry will consolidate as rising production and advertising costs squeeze out smaller vintners. The winners will be those with the greatest distribution and marketing resources.

These predictions come from the latest report on "The U.S. Wine Market," researched and published by Business Trend Analysts, located here.

BTA says wine consumption in the U.S. in 1982 will rise 7.2%, over 1981, to 539.3 million gallons. Sales of do-

(Continued on page 14)

The U.S. wine market*
(Excludes Brandy)
($ Millions)

Year	Value of domestic manufacturers' sales (1)	Value of duty-paid imports	Value of exports	U.S. wine* market	Imports as a % of U.S. market
1965	$ 352.5	$ 65.0	$ 0.73	$ 416.8	15.6%
1966	364.3	74.1	0.87	437.5	16.9
1967	374.9	85.5	0.93	459.5	18.6
1968	413.1	102.1	0.99	514.2	19.9
1969	466.6	112.3	1.15	577.8	19.4
1970	540.4	139.5	1.33	678.6	20.6
1971	684.1	156.5	1.23	839.4	18.6
1972	783.2	213.4	1.61	995.0	21.4
1973	906.3	291.2	2.62	1,194.9	24.4
1974	1,166.0	301.6	4.15	1,463.5	20.6
1975	1,109.2	291.2	5.11	1,394.9	20.9
1976	1,117.3	351.1	5.67	1,462.7	24.0
1977	1,252.3	424.3	8.27	1,668.3	25.4
1978	1,448.9	653.1	9.67	2,092.3	31.2
1979	1,843.0	712.9	18.52	2,530.9	28.2
1980	2,105.5	785.2	28.80	2,861.9	27.4
1981	2,471.9	852.7	40.50	3,284.1	25.9
1982F	2,840.0	980.0	51.20	3,768.8	26.0
1992F	6,300.0	4,725.0	295.00	10,730.0	44.0

(1) Noncensus years estimated
* Market - Domestic sales plus imports minus exports
F - Forecast by Business Trend Analysts

Source: U.S. Department of Commerce

Copyright: Beverage Industry, November 5, 1982

Collectors' lids spark fountain sales in Atlanta

ATLANTA, GA — Coca-Cola and Burger King scored big on a summertime promotion/market test here.

From June 19 to August 1, Burger Kings in metro-Atlanta sold large-size (about 20 oz.) containers of Coke topped with collectors' lids that pictured members of the Atlanta Braves baseball team. Don Sparks, area marketing manager for Burger King, says sales of the large sizes at some outlets were as high as 10,000 per day, or more than twice the normal volume. Sixty-two Burger King outlets participated.

The container lids used in the test are a joint development of Seal-Kap, Inc., Long Island City, NY, and Container Corporation of America (CCA). Seal-Kap came up with the concept of a paperboard/plastic lid for

(Continued on page 8)

Study: combined U.S., Europe PET usage to reach 390 million

ROSELLE, NJ—In 1985, the combined U.S./Western Europe market for polyethylene terephthalate (PET) bottles, mainly for carbonated soft drinks, will approach 400,000 metric tons (440,000 tons). That is about double the 1981 usage.

Three out of four of these tons of PET will be used in the U.S., according to statistics included in an exhaustive International Techno-Economic Survey on PET Bottles for Beverages, Food and Other Products, now available from Maczko Associates, located here.

Though PET has been around for over 20 years, its use as a container resin is only five years old. The survey, by Vladimir M. Wolpert of Wolpert and Jones Ltd., London, reviews virtually every aspect of PET bottles including various grades of

(Continued on page 15)

PET usage*

	USA	W. Europe
1976	—	—
1977	15	—
1978	70	—
1979	140	3
1980	160	8
1981	200	19
1982	230	32
1983	255	50
1984	275	70
1985	300	90

*(all figures in 1000 tonnes)

Source: Wolpert & Jones Studies Ltd.

Copyright: Beverage Industry, November 5, 1982

Nader group tabs soft drinks in 'diet' study

WASHINGTON, DC—Compared with 1976, soft drink consumption has been on the rise, although the rate of increase is declining, reports the Center for Science in the Public Interest.

In its updated version of "The Changing American Diet," CSPI noted that 12 oz. soft drink servings per person jumped from 329 in 1976

(Continued on page 15)

Seven Coors distributors debut Kronenbourg, Molson in Houston

HOUSTON, TX—Molson Beer and Ale and Kronenbourg beer are being introduced into the Houston metropolitan market this fall through the area's seven Coors distributors.

"These brands will be an exciting addition to our already outstanding list of Coors products," said Bob Aspromonte, chairman of the Gulf Coast Coors Distributors Association. "Our research shows that Molson and Kronenbourg represent the most popular beers in Canada and Europe.

"We anticipate the new imports will match the phenomenal public acceptance which has greeted Coors' George Killian's Irish Red since its roll-out last June," commented Aspromonte.

Wholesalers involved include: Aspromonte-Coors; Coors Central and South; Highland Coors; Coors North-

(Continued on page 8)

Contents

Pack Expo expects crowd of 45,000

Over 600 exhibitors and 45,000 attendees are expected at 1982's PMMI Pack Expo, which runs from the 15th through the 19th of this month, at McCormack Place in Chicago. PMMI officials estimated 3,500 packaging-related machines, valued at over $87.5 million, to be at the show. Approximately half of these will be new. Microprocessor technology and package conversion will be featured among the exhibits. Sessions on areas such as design, communications, strategic planning, etc. will be going on at the same time. For more information on this important packaging show, see **page 1.**

Wine expected to be fastest grower in U.S.

Wine is expected to be the fastest growing beverage in the next decade, growing at a rate of 6.5% a year, passing the 1 billion gallon mark, and doubling vintners values by 1992. Those are the predictions of Business Trends Analysts, made in their recent report, "The U.S. Wine Market." Expected to grow even more quickly in the U.S. market are imported wines. BTA says they will outpace industry growth over the next ten years. A resurgence of French wines, as well as continued growth of Italian Wines, are expected. If you want more pertinent facts and figures about the American wine market, see **page 4.**

FDA study infers caffeine's safety

Further evidence has been uncovered in the preliminary findings of the Food and Drug Administration's sipping study of caffeine to laboratory rats.

The study supplements facts from a 1980 forced feeding study that showed high doses of caffeine would cause birth defects. According to this latest study, even higher volumes of caffeine would be needed to cause birth defects.

To find out more about why leading scientists feel caffeine may not be harmful in humans, see **page 7.**

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THE CASE FOR BROCKWAY® SOFT DRINK CONTAINERS

The case for Brockway glass containers opens with service that's clearly the best. Here's why.

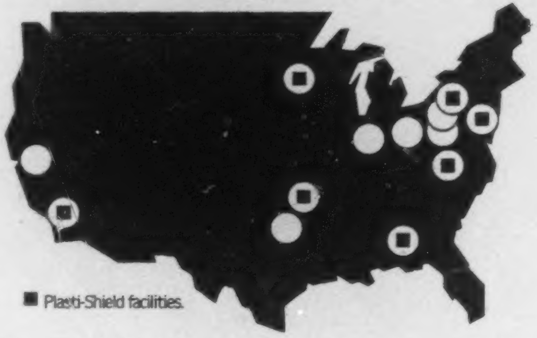
A NATIONWIDE NETWORK.

Brockway has 13 strategically located glass container production plants from coast to coast for better service and fast, dependable delivery.

When you need single-service or family-size Plasti-Shield* containers, Brockway meets the demand with capabilities for Plasti-Shield containers at seven plant locations.

And whatever your need in refillable or nonrefillable glass, in plain, private mould or blown letter, you can count on Brockway to keep you supplied with 7 oz. to one liter sizes.

7up
Coke
Pepsi
Dr Pepper



LOOKING BRIGHT.

In a crowd of products, bold colorful labels stand out. Especially Brockway's new, co-extruded labels for Plasti-Shield containers.

The new labels have a smooth, glossy finish that gives your message the sharp definition it needs, and your graphics the vibrant colors they need to catch the customer's eye.

Brockway's co-extruded labels are available on 10 and 16 oz. single-service containers as well as family sizes.

On the filling line, noise is greatly reduced because the labels virtually eliminate glass to glass contact.

GET A GRIP ON THE MARKET.

Glass single-service containers make up the fastest growing segment of the vending market. And Brockway's new Plasti-Shield containers with co-extruded labels can be dispensed in vending machines.

The smoother surface of the colorful new co-extruded labels helps reduce friction during dispensing and reduces the chance of marks and scuffs.

And, of course, glass keeps your soft drinks fresher and tasting better.

THE COLD FACTS.

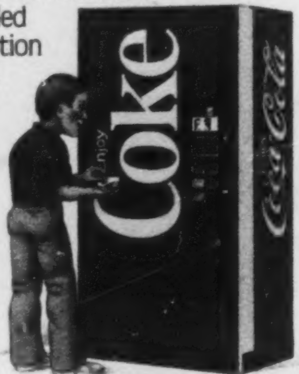
It's a fact that single-service containers bring high volume business and profits.

It's also a fact that with Brockway as your glass container source, you can get the variety of containers you need in flint, emerald green, Georgia green, and amber.

Service. Quality. Dependable delivery. Variety. Efficiency. Profitability. Those are the facts that make a convincing case for Brockway glass containers.

To place your order, contact your local Brockway sales representative, or call Brockway's Beverage Division at (814) 268-3015.

Case closed.



Brockway is a participating member of the Glass Vending Association's vending program sponsored by the Glass Packaging Institute.

Brockway
Brockway, PA 15824

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Circle no. 164 on Reader Service card

BI Packages of the Week

New Hoover wine keg fills on-premise market niche

NEW YORK, NY—Distribution of wine in returnable stainless steel kegs to high-volume on-premise outlets is an idea being investigated by virtually every major vintner in the U.S.

"Kegged wine has to be viewed as a long-term investment that can result in cost savings as well as convenience. You can't service a growing market for on-premise wine over the long term with glass or bag-in-box containers," says Greg Muro, sales manager at Hoover Universal, Inc., Materials Handling Div. The company has just come out with a new 58-L stainless steel polyurethane-skirted keg for holding wine.

Hoover contends there are significant cost savings with 58-L kegs for wine, versus 18-L bag-in-box or 4-L glass jugs, in servicing large-volume on-premise outlets (see "Cost Analysis" chart p. 10).

Kegs can fit right in to a regional, or perhaps in the future, national on-premise wine distribution system. For one thing, says Muro, many on-premise outlets have tap systems in place. Second, he says, stainless steel kegs are a technically proven distribution method.

Third, kegs can open up new high-volume on-premise wine outlets. United Vintners, for example, is selling its premium Inglenook Navalle brand from kegs at Padres' Stadium in San Diego.

Mike Silva, public relations at United Vintners, says "we have been test marketing Inglenook Navalle wine in new stainless steel kegs for the past 8 or 9 months at on-premise outlets with certain volume levels in Northern California, besides San Diego." United Vintners emphasizes to its customers that the quality of its wine from kegs, which are supplied by Hoover, is exactly the same as if the wine came right off the production line. "We wouldn't ship a premium wine like Navalle across the country," Silva says. "Wine quality is very important to our customers."

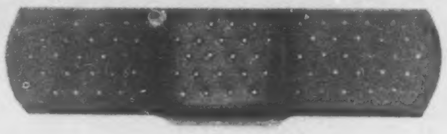
The sole stated purpose of current kegged wine distribution efforts is to make large-volume on-premise wine storage and handling more convenient as well as cost effective for the shipper and the retailer.

Kegs for wine distribution differ little from those used for beer. But the differences are important. For instance, says Muro, brass has to be removed from wine keg tapping systems, or the wine will pick-up a "brassy" taste. Also, kegged wine dispensers push with nitrogen instead of carbon dioxide. Many vintners use nitrogen in the wine blending process Besides, Muro says, carbon dioxide would make the kegged wine "sparkling."

Muro says that using stainless steel to make wine kegs is a natural extension of stainless steel bulk storage tanks used by vintners. He also says wine shelf life can be longer

(Continued on page 9)

If your adhesive needs are more complex than this



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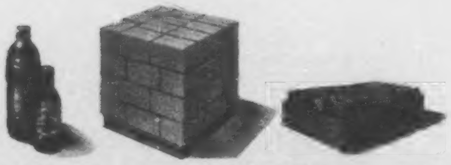

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Circle no. 165 on Reader Service card

VersaForm

(Continued from page 4)

soft drinks that could also be used as a promotional medium.

The VersaForm manufacturing process was developed by CCA, which makes the lids at a plant in Lionville, PA. The lids are a marriage of die-cut paperboard to a low-density polyethylene ring. A coated, printed paperboard disk is inserted into the injection mold, bonding itself to the ring.

The consumer can remove the paperboard easily and save it as a collectors' item, as in the Atlanta test. VersaForm lids can also be printed as coupons redeemable for food or other merchandise, says Don Addison, sales manager for VersaForm at CCA.

An important point for the retailer is that the lids retain their integrity, he adds.

Sparks says Burger King anticipates expanding the promotion to Houston and New Orleans in time for the basketball season. At presstime, Burger King was about to send the test results to Coke for evaluation.

For more information on **VersaForm (CCA),** circle no. 192 on reader service card; for **Seal-Kap, Inc.,** circle no. 193

Molson

(Continued from page 4)

east; Windward Coors; Appel Distributing, and Coors of the Woods.

Assisting these wholesalers in their marketing plans will be Dick Barron, Martlet Importing Company's regional sales manager for Texas and Kronenbourg USA's president, Bob Wilson, and Manager of Marketing Development, John Davidson.

PMMI

(Continued from page 1)

valued at over $87.5 million will be shown.

new models on display

PMMI Show Committee Chairman Arthur R. Schaefer, president, NJM, Inc., said that exhibitors promise that many of the new machinery models on display will be characterized by increased efficiency, versatility and speed.

"According to projections we've been able to make from this survey data," Schaefer noted, "about half of the machines will be considered 'new' by their respective manufacturers."

Exhibitors say many new models feature microproc-

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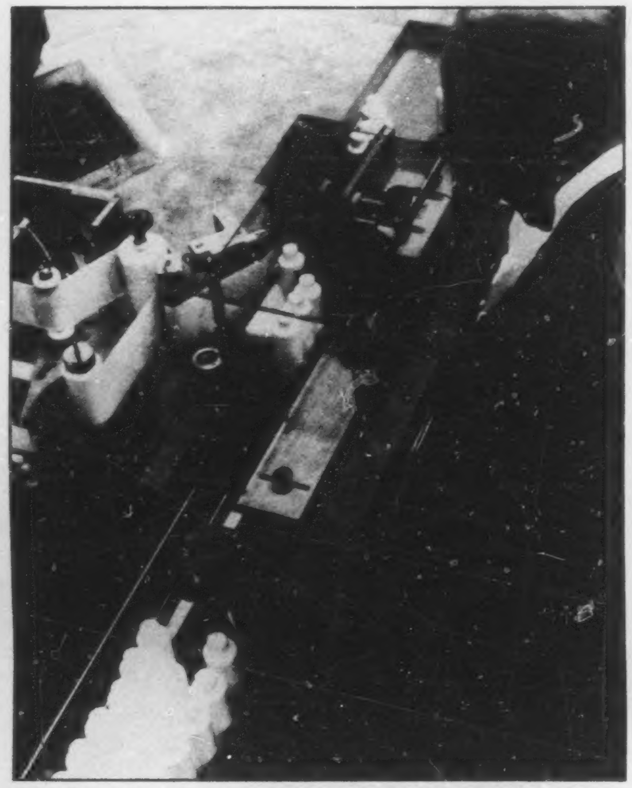

Pack Expo allows close examination of machinery operation.

Beer Study

(Continued from page 1)

percent or so of the premium beer market, he'll probably do better than if he captures a larger share of, for instance, the malt liquor market. The BMC study predicts that in 1990 premium beers will still account (as they do now) for 56% of the total U.S. market.

On the other hand, the problem that pervades any beer brand segmentation decision and subsequent marketing plan can be summed up in four words: Anheuser-Busch and Miller. But even with this stiff competition, Doyle is inclined to go with the premium segment as potentially the most profitable. "You have to go with volume, even up against A-B and Miller," he says.

In the next several years, brewers can look forward to heated-up competition in the beer brand segments. The industry is already segmented. Marketing of each segment is based on a combination of price and image.

Anheuser-Busch's light beers provide a current example: Michelob Light is keyed to consumers who want a super premium taste, and will pay for it, but with fewer calories; Budweiser Light is try-

(Continued on page 10)

U.S. light beer market

Brand	1978		1980		1981	
	Mil. bbls.	% of mkt.	Mil. bbls.	% of mkt.	Mil. bbls.	% of mkt.
Michelob Light	1.0	6.5	2.6	11.3	3.2	12.4
Natural Light	2.5	16.2	2.4	10.4	1.9	7.3
Miller Light	9.5	61.7	13.2	57.1	16.2	62.5
Schlitz Light	0.8	5.2	0.4	1.7	0.3	1.2
Pabst Light	0.6	3.9	0.6	2.6	0.7	2.7
Coors Light	0.5	3.2	2.4	10.4	2.0	7.7
Stroh Light	NA	NA	0.5	2.2	0.6	2.3
Subtotal	14.9	96.7	22.1	95.7	24.9	96.6
All Others	0.5	3.5	1.0	4.3	1.0	3.9
Total	15.4	100.0	23.1	100.0	25.9	100.0

Source: BMC; BDB; Annual Manual; LBKL Research

Copyright: Beverage Industry
November 5, 1982

U.S. beer market projections

Category	1981		1986		1990	
	Mil. bbls.	% of mkt.	Mil. bbls.	% of mkt.	Mil. bbls.	% of mkt.
Premium	103.0	56.5	116.5	56.4	127.0	56.1
Popular	29.4	16.1	20.0	9.7	16.0	7.1
Light	25.9	14.2	38.0	18.4	46.0	20.3
Super Premium	12.7	7.0	16.0	7.8	18.0	7.9
Malt	6.1	3.3	7.5	3.6	8.5	3.8
Imports	5.2	2.9	8.5	4.1	11.0	4.8
Total	182.3	100.0	206.5	100.0	226.5	100.0

Source: Beverage Marketing Corp.: Beverage Data Bank.

Copyright: Beverage Industry
November 5, 1982

U.S. premium beer market

Brand	1978		1980		1981	
	Mil. bbls.	% of mkt.	Mil. bbls.	% of mkt.	Mil. bbls.	% of mkt.
Budweiser	27.0	34.6	33.9	33.7	37.6	36.5
High Life	20.8	26.6	22.7	22.6	22.3	21.7
Schlitz	13.0	16.6	7.3	7.2	5.7	5.5
Old Style	3.0	3.8	5.2	5.2	5.6	5.4
Pabst*	—	—	10.8	10.7	9.8	9.5
Coors	12.1	15.6	11.3	11.2	11.2	10.9
Stroh*	—	—	5.7	5.7	5.5	5.2
All Others	2.2	2.8	3.7	3.7	5.3	5.7
Total	78.1	100.0	100.6	100.0	103.0	100.0

*Repositioned from popular to premium in 1979.

Source: Beverage Marketing Corp; Beverage Data Bank; Beverage Industry Annual Manual; John Maxwell, Lehman Bros. Kuhn Loeb Research

Copyright: Beverage Industry
November 5, 1982

U.S. super premium beer market

Brand	1978		1980		1981	
	Mil. bbls.	% of mkt.	Mil. bbls.	% of mkt.	Mil. bbls.	% of mkt.
Michelob	7.5	79.8	8.5	69.7	8.5	66.9
Lowenbrau	1.0	10.6	1.2	9.8	1.5	11.8
Erlanger	—	—	0.4	3.3	0.6	4.7
Andeker	—	—	—	—	0.1	0.8
Herman Joseph	—	—	—	—	0.1	0.8
All Others*	0.9	9.6	2.1	17.2	1.9	15.0
Total	9.4	100.0	12.2	100.0	12.7	100.0

*Tuborg repositioned as super premium in 1979.

Source: BMC; BDB; Annual Manual; LBKL Research

Copyright: Beverage Industry
November 5, 1982

Wine kegs

(Continued from page 6)

in kegs versus smaller-size glass containers, since there is less contact between the liquid and the container wall.

Of the three companies using the method now, Louis Glunz, Inc., beer and wine importers/distributors, located in Chicago, estimates its kegged wine volume this year will be around 300,000 gallons. Ted Peloquin, sales manager at Louis Glunz, Inc., says his company is distributing Coastal Valley (Calif.) brand wines in kegs in 14 states, from New England through the Midwest to Colorado and north to Minnesota. The firm is upgrading the quality of the wines in kegs (for example, from a red to a ruby cabernet) and is adding a sangria to the line.

Louis Glunz has been distributing wine in kegs for several years. Like United Vintners and the other company putting wine in kegs, Anheuser-Busch, Louis Glunz emphasizes the quality of their wines. "These aren't inexpensive wines," says Peloquin.

quality guaranteed

Little is revealed about Anheuser-Busch's foray into the kegged wine business, other than the fact that market tests are going on in San Francisco and Denver. The Master Cellars (Lamont) wines in kegs are a chablis, a burgundy and a vin rose. A-B promotional material on its kegged wine program states that the taste and quality of

(Continued on page 10)

PMMI

(Continued from page 8)

essor technology. This year exhibitors also seem to be stressing the ease of conversion from one type of package or packaging material to another.

sessions

There will be sessions on design, communications, strategic planning and other tools of marketing that can be adapted to the needs of packagers.

There will be 48 concurrent sessions at Pack Expo running in two tiers each morning. The first tier will run from 9:00 to 10:30 a.m. and the second from 11:00 a.m. to 12:30 p.m. In addition there will be two plenery sessions from 1:00 until 2:00 p.m. on

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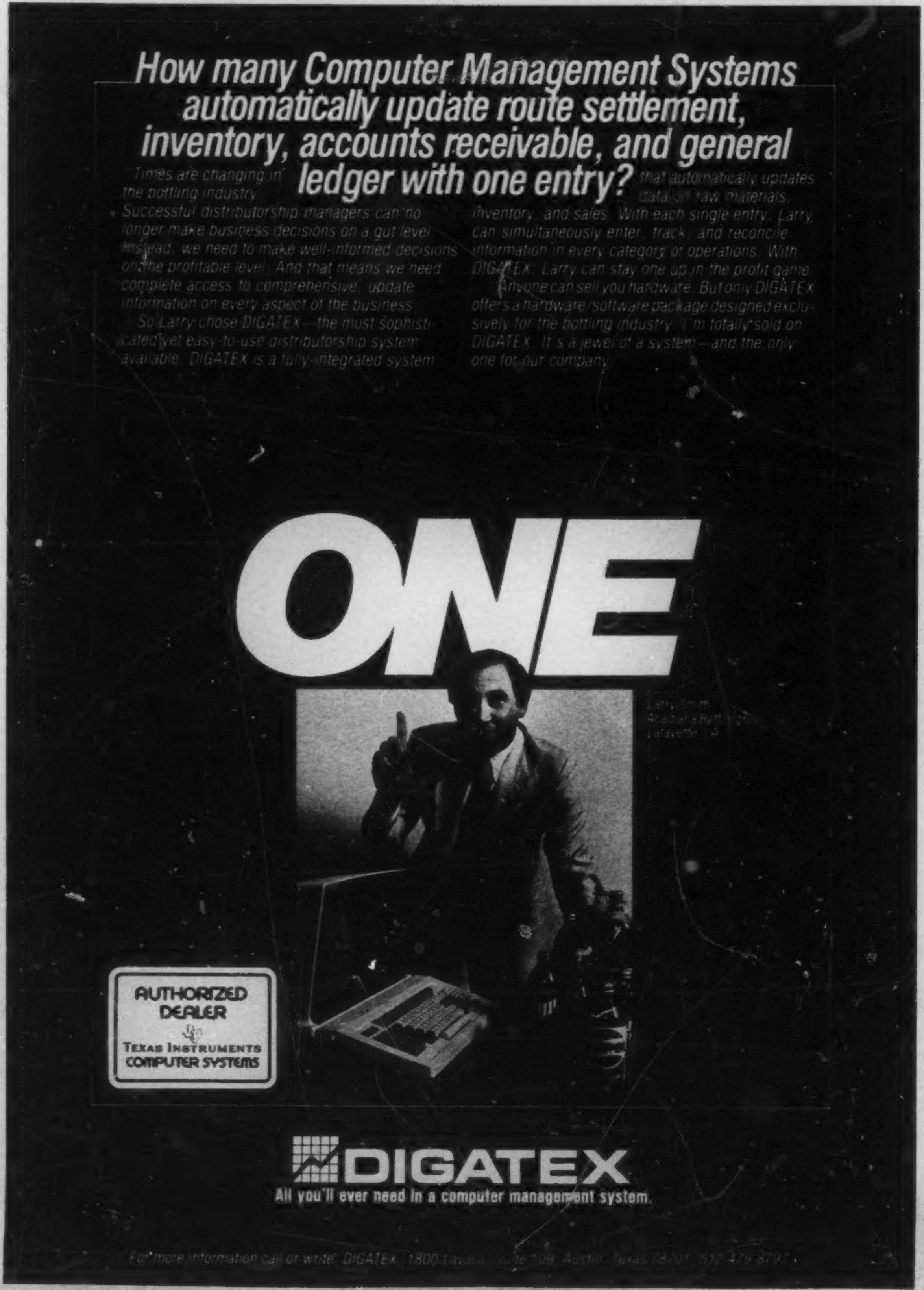

How many Computer Management Systems automatically update route settlement, inventory, accounts receivable, and general ledger with one entry?

"Times are changing in the bottling industry. Successful distributorship managers can no longer make business decisions on a gut level. Instead, we need to make well-informed decisions on the profitable level. And that means we need complete access to comprehensive, update information on every aspect of the business.

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Beer study

(Continued from page 8)

U.S. malt liquor market

Brand	1978		1980		1981	
	Mil. bbls.	% of mkt.	Mil. bbls.	% of mkt.	Mil. bbls.	% of mkt.
Schlitz	1.80	35.8	2.15	38.4	2.50	40.8
Colt 45	1.35	26.8	1.20	21.4	1.20	19.6
Olde English	0.50	10.0	1.00	17.8	0.80	13.1
Champale	0.80	15.9	0.90	16.1	0.65	10.6
Mickey's	—	—	—	—	0.40	6.5
Country Club	0.40	8.0	0.20	3.6	0.20	3.3
Magnum	—	—	—	—	0.20	3.3
Malt Duck	0.13	2.5	0.10	1.8	0.08	1.2
900	—	—	—	—	0.05	0.8
All Others	0.05	1.0	0.05	0.9	0.05	0.8
Total	**5.03**	**100.0**	**5.60**	**100.0**	**6.13**	**100.0**

Source: BMC; BDB; Annual Manual; LBKL Research

Copyright: Beverage Industry
November 5, 1982

ing to attract low-cal drinkers with brand/taste loyalty to Bud; and Natural Light is for those who want a low-cal less expensive beer to accompany a meal.

Charting the domestic premium beer market, the BMC study shows Budweiser has gradually increased market share and barrelage over Miller High Life. Together, these brands accounted for 58% of the premium market, 60 million barrels, in 1981.

Repositioning of Pabst and Stroh from popular to premium so far hasn't made much difference in their shares of market. For both, share of market and barrelage have dropped over the last few years, according to BMC.

Chris Lole, vp, corporate planning and development at Stroh Brewery Co., says the volume decline after repositioning in 1979 was anticipated. The company is doing a "total upgrading" of its flagship brand, including increased advertising expenditures and a package graphics change. Lole notes that A-B and Miller grew at 8% from 1980 to '81, while everyone else's sales were up 2%. But, he says, "we're holding our own in the premium segment." Doyle gives Stroh a good chance of improving its position.

popular brands

A look at popular beer brands in the BMC study shows Old Milwaukee significantly ahead in terms of production and market share. With just over 17% of the popular market in 1981, Old Milwaukee is 5 percentage points above its closest competitor, Genessee. Blatz has also made notable gains since 1978. But overall, popular category beers' production has been about halved since '78, due partly to Pabst's and Stroh's repositioning.

The domestic light beer market is on better footing. Total barrelage has jumped, since '78, from 15.4 million barrels to 25.8 million last year, according to BMC. The leader, by a huge margin, is Miller Light, with 62.5% of this market in 1981. Number two Michelob Light, which has grown at a healthy clip, accounted for 12.4% of the light beer market in 1981.

Michelob has a wide lead in the super premium category, though it's been gradually losing market share while, much less gradually, increasing barrelage. Total super premium barrelage went from 9.4 million barrels in 1978 to 12.7 million barrels in 1981.

malt liquor

Schlitz Malt Liquor continues to dominate its market. It is the only brand listed that has actually increased both production and market share from 1978 to '81, according to BMC. Last year, with 2.5 million barrels produced, the brand held a 40.8% share of market. Number two Colt 45 came in with 19.6% of the market, 1.2 million barrels produced.

Projecting future growth in the segments, the study says that popular brands should account for 7.1% of the total beer market in 1990, or 16 million barrels. That would be an enormous drop from populars' 1981 share of 16.1%, 29.4 million barrels.

premium beers

Premium beers, while increasing in barrelage through the decade, will nonetheless do well to maintain their 56% share. BMC expects super premiums and malt liquors will rise steadily, but at a slower rate than in the past, both in terms of production and share of market.

Imports and light beers should be the best performers to 1990. Both categories, certainly the imports, should double their barrelage over the period. U.S. Beer Industry Study is available from Bev. Mktg. Corp., 866 2nd Ave., NY, NY 10017 (212) 688-7640.

U.S. popular beer market

Brand	1978		1980		1981	
	Mil. bbls.	% of mkt.	Mil. bbls.	% of mkt.	Mil. bbls.	% of mkt.
Busch	3.4	6.3	3.0	9.4	3.1	10.6
Old Milwaukee	3.2	5.9	4.8	15.0	5.1	17.3
Blatz	0.7	1.3	1.4	4.4	1.5	5.1
Olympia	6.4	11.8	—	—	—	—
Pabst	12.6	23.2	—	—	—	—
Red White & Blue	0.7	1.3	1.3	4.1	1.2	4.1
Stroh	5.6	10.3	—	—	—	—
Schaefer	3.9	7.2	3.7	11.6	3.0	10.2
Genessee	3.2	5.9	3.6	11.2	3.6	12.3
Schmidt	3.8	6.9	3.6	11.2	3.4	11.6
Iron City	0.6	1.1	1.4	4.4	1.5	5.1
All Others	10.2	18.8	9.2	28.7	7.0	23.8
Total	**54.3**	**100.0**	**32.0**	**100.0**	**29.4**	**100.0**

Source: BMC; BDB; Annual Manual; LBKL Research

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Wine kegs

(Continued from page 9)

the wines are guaranteed by the company to be the same "carafe after carafe, year after year."

still in infancy

Reports indicate A-B's kegged wine program is not going as well as the company expected at this stage, but distributing wine in kegs is still in its infancy and A-B has vast resources. Competition in this imprortant area of on-premise wine distribution promises to get more intense in the years ahead.

For more information on **Hoover Universal, Materials Handling Div.,** circle no. 191 on reader service card.

Packaging Costs Analysis — Cash Utilization Schedule *

(000's omitted on dollars; all figures 1982 dollars)

Year	4-L glass jug 1,450,000 jugs required @ 70¢/unit	58-L keg 10,000 kegs × 10 trips per year required @ $76/unit with pallet	Before tax better (worse) cash flow	18-L bag-in-box 322,000 bags required @ $2.00/unit	58-L keg 10,000 kegs × 10 trips per year required @ $76/unit with pallet	Before tax better (worse) cash flow
1	$1,015	$ 925 (1)	$ 90 (2)	$ 644	$ 925 (1)	$ (281) (2)
2	1,025	125	900	650	125	525
3	1,035	126	909	657	126	531
4	1,046	127	919	664	127	537
5	1,056	128	928	670	128	542
	$ 5,177 (3)	**$ 1,431 (3)**	**$ 3,746**	**$ 3,285 (3)**	**$ 1,431 (3)**	**$ 1,854**

* Annual volume 3,800,000 liters served

(1) Includes investment of $760,000 for 10,000 kegs, $40,000 cleaning and filling equipment and $125,000 cost of cleaning and returned freight at ($1.25 per keg per trip).

(2) Does not recognize favorable impact of investment tax credit.

(3) Cost inflated 1% per year.

Source: Hoover Universal, Inc., Materials Handling Div.

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November 5, 1982

Wine study

(Continued from page 4)

mestic producers should increase 6.2% this year, to 414.5 million gallons.

As stated, long-term potential is impressive, but there are mitigating factors. BTA says, for example, "the outlook for domestic wine producers with regard to the import market does not look good." This year, imports will rise 10.8% to 124.8 million gallons, or 23.1% of the U.S. market. By 1992, imports' volume should reach 300 million gallons, almost 30% of the market. A 9.2% projected annual growth rate for imported wines over the next 10 years will outpace overall industry growth.

BTA anticipates a resurgence of French wines in the next several years through increased brand building by importers and distributors, and a new category of inexpensive French table wines. Sales of French sparkling wines should also continue to increase.

lambrusco

Italy's low-cost lambrusco-type table wines, which are already extremely popular here, should continue a rapid sales increase pace.

In BTA's view, the bright spot for domestic vintners is the potential for increased U.S.-brand exports. Between 1978 and last year, exports doubled to 10.2 million gallons. As Europeans seek low-cost alternatives to French wines, as California wine quality is accepted and if transportation costs remain low, U.S. exports could become a significant factor, says BTA. Potential drawbacks are unfavorable import duties and distribution problems. Also, lots of promotion will be necessary when the novelty of the U.S. products wears off.

Distribution of wine in the U.S., while essential to strategic planning, is also a constant source of frustration. Says BTA, "The ability of individual states to regulate alcoholic beverage distribution has been the major hindrance to wine penetration into the supermarket sphere, and by extension, into American households."

Operating ratios in the wine industry

Year	Payroll as a % of industry sales	Material costs as a % of industry sales	Total operating costs as a % of industry sales
1963	9.5%	62.1%	71.6%
1964	10.4	63.2	73.6
1965	10.6	66.5	77.1
1966	11.1	66.5	77.6
1967	11.5	57.5	69.0
1968	11.2	56.3	67.5
1969	11.4	58.0	69.4
1970	12.0	57.0	69.0
1971	11.5	58.2	69.7
1972	10.6	62.0	72.6
1973	9.8	61.6	71.4
1974	8.6	49.2	57.8
1975	10.9	57.2	68.1
1976	10.9	58.3	69.2
1977	9.8	65.6	75.4
1978	14.5	68.3	82.8
1979	9.6	65.6	75.2
1980	8.7	63.9	72.6

Source: U.S. Department of Commerce; Business Trends Analysts

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Leading U.S. wine producers by gallonage sales and market share

(Millions of gallons)

	1978		1979		1980		1981		
	Gallons	Share of market	Gallons	Share of market	Gallons	Share of market	Gallons	Share of market	1978-1981 % Gallonage change
E. & J. Gallo	105.8	24.6%	113.2	25.7%	122.2	25.9%	131.4	26.1%	24.2%
United Vintners (Heublein)	56.4	13.1	55.1	12.5	52.5	11.1	50.3	10.0	-10.8
Almaden (National Distillers)	25.8	6.0	28.7	6.5	32.1	6.8	30.4	6.0	17.8
The Wine Spectrum (Coca-Cola)	14.0	3.3	16.3	3.7	22.1	4.7	27.4	5.4	95.7
The Wine Group	21.9	5.1	20.7	4.7	21.7	4.6	21.7	4.3	-0.9
Paul Masson (Seagrams Ltd.)	13.8	3.2	14.9	3.4	17.5	3.7	18.5	3.7	34.1
Canandaigua	14.8	3.4	13.1	3.0	15.0	3.1	16.5	3.3	11.5
Guild	13.8	3.2	15.6	3.5	14.8	3.1	15.4	3.1	11.6
Monarch (N.Y.)	11.6	2.7	12.3	2.8	13.0	2.8	13.5	2.7	16.4
Sebastiani	8.7	2.0	9.0	2.0	10.0	2.1	8.6	1.7	-1.1
Total-Ten Largest	286.6	66.6%	298.9	67.8%	320.9	68.0%	333.7	66.3%	16.4%
Total U.S. Wine(1) Market	430.4		441.0		472.2		503.0		16.9

(1) Calculated by Business Trend Analysts from BATF and U.S. Dept. of Commerce data, and is comprised of domestic taxable withdrawals and imports for consumption.

Source: Impact Databank; Business Trends Analysts

Copyright: Beverage Industry
November 5, 1982

wine in grocery

The potential of supermarkets to generate higher per capita wine use is enormous. Wine's popularity as a mealtime beverage should continue to grow. Combine this with the fact that women are the principal grocery shoppers, and that women already purchase 60% of all table wine sold in the U.S., and you have what BTA calls a "synergistic" impact on wine sales.

BTA expects strong demand for wine in this decade will spur consumer and industry pressure for states to adopt laws allowing grocery store wine sales.

Coca-Cola should become the major force in off-premise wine sales, another market with vast potential. Coke's Wine Spectrum subsidiary has already made plans to take advantage of the parent company's huge distribution network. Using bag-in-box containers and/or returnable stainless steel kegs, Wine Spectrum's goal is "to see wine in fast-food outlets by the end of the decade."

Between 1975 and '81, wine industry advertising expenditures rose 200%, to $145 million. Most of this money went into spot and network TV; the latter amount quadrupled in the period. BTA expects the industry to greatly increase promotional spending this year due to, first, increasingly heated competition and, second, to advertising for new "light" and "soft" wines.

While network and perhaps spot TV ads may be out of reach of smaller vintners, there are other promotional media, such as newspapers, magazines and local radio, that small companies can utilize for finer market segmentation and brand positioning. This can help compensate for the loss in economies of scale.

U.S. wine makers' profit margins have eroded over the last five years, BTA says, either because of rising costs to remain competitive (as in advertising), or adverse natural conditions (as prices for grapes). Though demand for wine will grow, offering greater returns, the market won't grow fast enough to offset escalating costs.

BTA concludes that this will "significantly bar new entry of marginal operations into the industry, force a weeding-out of weaker concerns and generate a period of consolidation over the next several years coincident with big business' greater role."

grapes

The most fundamental cost to the industry, grapes, greatly influences profitability. The cost of grapes also tends to fluctuate significantly. The grape harvest last year was off 21% from 1980; grower prices rose 17% as a result, squeezing producers' profits.

The cost of bottles and labor have also been rising. BTA says bottle costs, about 20% of materials costs, are increasing faster than grape expenses, or 12.4% annually. Bottle costs have risen 150% in the last eight years. Last year, vintners paid around $310 million for bottles, or about 12 cents of every revenue dollar.

Labor costs have traditionally been low in the wine business. However, winery workers' average hourly wages, now at $8.16, exceed the $7.40 national average.

In general, U.S. winemakers' costs in 1980 were 72.6% of industry sales; 64% of these costs were materials-related, with payroll making up the rest. BTA says, this cost figure doesn't include promotion and advertising. In years to come, these latter expenses will be too much for smaller companies to handle.

According to BTA, "Those companies with resources great enough to survive the next few years of fierce competition will undoubtedly reap the rewards of long-term growth and profitability, while those without such resources will be forced to cultivate smaller market segments and more effective marketing strategies."

analysis

The entire 240-page "The U.S. Wine Market—A Strategic Marketing Analysis and Biennial Review," is available from BTA for $475.

CSPI

(Continued from page 4)

to 412.3 in 1981—a 25.3% increase.

saccharin

Total sweetener use also rose. Saccharin consumption based on tabletop and diet food use rose 16.4%, while high-fructose corn syrup skyrocketed 220.8% during the five-year period. On the other hand, cane and beet sugar consumption dropped 14.9% during this time span as other sweeteners gained in popularity.

CSPI executive director Michael Jacobson explained that sweetener consumption included the various sugars found in beer, wine, soft drinks and other processed foods.

increase declined

He said that while soft drink use has been on the rise, the per capita rate of increase has declined over the past two years. He attributed this slowing down to the more aggressive marketing strategies of the beer and wine industries.

saturation point

"There is only so much liquid we can drink," he noted, "and the sale of these other beverages may have cut into the soft drink market. There seems to be a sign that soft drink consumption has reached the saturation point."

PET

(Continued from page 4)

resin, drying and molding equipment, filling, capping, types of closures, labeling and adhesives. It also defines resin suppliers, molders, end uses and market trends.

It points out, for example, that the use of PET bottles for export results in transportation savings, and that some mineral water manufacturers have introduced PET bottles for this purpose.

The report contains information from around the world including North America, Western Europe, Japan, Australia, New Zealand, South Africa and other countries. In Japan, for instance, about 15,000 tons of PET have been molded for packaging a variety of products including saki and beer. This use rate should, the report shows, increase dramatically with recent PET approval for soft drink use.

Price of the 180-page survey is $565. Maczko Associates, Inc., 117 Monroe St., Roselle, NJ 07203.

SOFT DRINKS ☐ BEER ☐ BOTTLED WATER ☐ WINE ☐ POWDERS ☐ JUICES ☐ SPIRITS NOVEMBER 19, 1982

Beverage Industry

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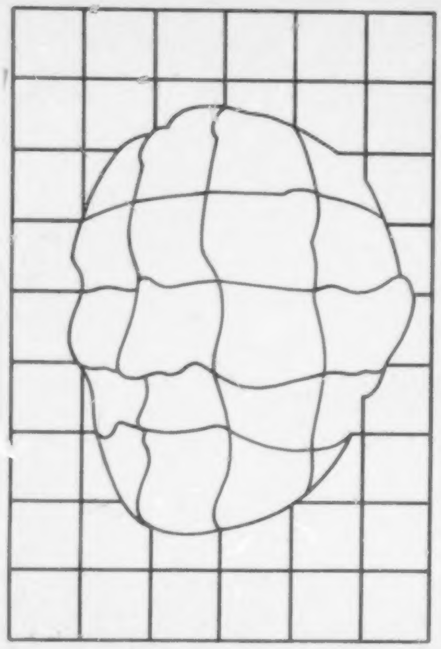

PROFITS

NSDA ANNUAL MEETING
AND INTERNATIONAL BEVERAGE
INDUSTRY EXPOSITION

NOVEMBER 30—DECEMBER 2, 1982
GEORGIA WORLD CONGRESS CENTER
ATLANTA, GEORGIA

See Special Section, page 57

BI Week

- **Fred Adamany, president, Royal Crown Cola, has been selected as the 1983 *Beverage Industry* Man of the Year. Adamany will be featured in the December 3 issue and will be honored at this year's NSDA/InterBev meeting.**

(Continued on page 159)

Issues without answers await action in Congress

WASHINGTON, DC—As the beverage industry reflects on this past year—the midway point of the Reagan administration—one thing comes to mind: there has been much activity, but few accomplishments as yet.

Be it the questionable status of plastic bottles, food safety, sodium labeling or exclusive territories for beer wholesalers, the industry has watched hearings and proposals surface, but no concrete policies emerge. Nevertheless, the movement that has occurred has leaned in favor of beer, wine and soft drink makers.

For years, the beverage industry has sought government approval for a variety of plastic bottles, whose status has been in abeyance as batteries of scientific tests were conducted to assess potential carcinogenicity. Now there appears a glimmer of hope that PET usage may be extended and acrylonitrile (AN) and polyvinyl chloride (PVC) containers will gain marketing approval. However, a few obstacles may still be down the road.

At presstime, it seemed that PET liquor bottle approval by the Bureau of Alcohol, Tobacco and Firearms (ATF) was imminent. The bureau had completed an environmental assessment which

(Continued on page 124)

NSDA launching major push to promote InterBev '84

NEW YORK — Although the National Soft Drink Association announced the development of InterBev last year and this year's show carries that title, the 1984 InterBev will be the first to fill the full brunt of the association's direction.

In mid-October a group of four U.S. beverage industry executives, including Thomas F. Baker, former NSDA executive director, left for Europe to begin promoting the InterBev Exposition and World Congress. Announcement of the InterBev push was made here recently by Dwight Reed, NSDA president.

(See "InterBev fullfills needs of international producers," by Thomas F. Baker, page 55.)

The exhibition will be the first in the U.S. to encompass all types of beverages—wines, spirits, beers, soft drinks, bottled waters, fruit juices and juice drinks. It will also be the first congress held anywhere to consider the technology and business methods needed for all types of beverages. (*See this year's InterBev seminar section, page 65.*)

"Although multiple beverage exhibitions have been produced overseas, none have ever been staged in this country," Reed pointed out. "As for the congress, that is entirely new. No such congress, covering all beverages, has been convened anywhere."

The first full-fledged InterBev will be at McCormick Place, Chicago, Nov. 12-16, 1984. Others will follow in the soon-to-be-completed Con-

(Continued on page 54)

BI Package of the Week

New ICS full-depth case cross stacks. See p. 143.

Expect FDA aspartame decision 'shortly'

WASHINGTON, DC — Searle & Co. should "hear something" shortly from the Food and Drug Administration (FDA) on its petition to allow aspartame use in carbonated beverages.

The manufacturer filed the petition in late August, and FDA has 90 days in which to respond, although that period can be extended another 90 days if the agency seeks more data from the company.

FDA already has information on aspartame's safety and toxicity based on its approval of the low-calorie sweetener last year for tabletop use. Searle recently started marketing NutraSweet (the trade name for the bulk product) in powder form for this purpose under the name Equal.

As for aspartame's potential use in soft drinks, FDA is now reviewing Searle-submitted data on consumption levels and stability. "Aspartame remains acceptably sweet to consumers for at least six months in most soft drinks and up to one year in some flavors," said Richard McGraw, Searle vice president for public affairs. "And the soft drink industry usually measures turnover in a matter of days." Canada has marketed aspartame-sweetened soft drinks for the past year.

The low-calorie sweetener is currently manufactured in the United States and Japan, and used in several other foreign countries. But it is "significantly more expensive than other sweeteners be-

(Continued on page 52)

SOFT DRINKS □ BEER □ BOTTLED WATER □ WINE □ POWDERS □ JUICES □ SPIRITS NOVEMBER 19, 1982

Beverage Industry

MARKETING □ DISTRIBUTION □ TECHNOLOGY

An (HBJ) PUBLICATION

Hot filling aluminum cans with liquid nitrogen system

HONOLULU, HAWAII—Hot-filled non-carbonated fruit juices are being packaged for the first time in lightweight two-piece, D&I aluminum cans using liquid nitrogen. Pioneers in this new venture in beverage packaging are Reynolds Metals Company and Hawaiian Sun Products.

The use of Reynolds Liquid Nitrogen Injection Systems enabled Hawaiian Sun to convert from steel cans to aluminum cans for its tropical fruit juice products. The package change initially affects six juices, and the remaining nine products in the Hawaiian Sun line will be converted to aluminum before the end of the year.

"We wanted to make the switch to the more modern aluminum cans because we know they have unique advantages for consumers," said David Kurihara, president of Hawaiian Sun.

"People especially like the recyclability of aluminum cans. Consumers know that by recycling aluminum they can earn money, protect the environment and save energy. That's very important in Hawaii," he said.

"Another reason for offering our products in aluminum cans is that they offer many convenience advantages and are very appropriate for outdoor activities," said Kurihara.

The technical service group

(Continued on page 129)

Nitrogen injection gave Hawaiian Sun a new look aluminum package.

Del Monte intros juice in 1-L aseptics

SAN FRANCISCO—Del Monte Corp. located here, recently introduced four flavors of pure fruit juice packaged in 1-L aseptic cartons.

The "Taste Fresh" carton is being test marketed in seven cities, supported by a comprehensive advertising and consumer promotion program. Those cities are Indianapolis, Marion and Evansville, IN; Norfolk and Richmond, VA; Pittsfield, MA, and Albany, NY.

The four juices—apple, pineapple, pineapple-orange

(Continued on page 129)

Beverage container usage increases in 2nd quarter

CLEVELAND, OH—Because of near record interest rates and high unemployment in 1982, overall corporate earnings in the U.S. container industry should be down versus 1981. However, some companies have positioned themselves well for 1983; new products and processes should help boost demand and profitability.

In his latest progress report on the container industry, Arthur Stupay, market analyst at Prescott, Ball & Turben, located here, notes that in the first six months of 1982, interest rates forced considerable inventory liquidation of processed foods and other products, which reduced demand for metal cans. Also, high unemployment hurt beer and soft drink sales, which further affected demand for containers.

Total glass container ship-

(Continued on page 140)

Container shipments

	First quarter		% Change	Second quarter		% Change
Glass containers	1981	1982		1981	1982	
(Thousands gross*)						
Food	23,224	23,440	.9	21,599	23,101	7.0
Beer	25,700	26,488	3.1	32,647	29,495	(9.7)
Beverage	12,873	13,035	1.3	17,218	17,659	2.6
Liquor	4,159	3,373	(18.9)	3,960	3,609	(8.9)
Wine	2,331	2,108	(9.6)	2,149	2,193	2.0
Other	7,577	6,739	(11.1)	6,901	6,505	(5.7)
Total	**75,864**	**75,183**	**(.9)**	**84,474**	**82,562**	**(2.3)**
(*144 units in a gross.)						
Metal containers						
(Million cans)						
Food	6,532	6,493	(.6)	6,540	6,113	(6.5)
Beer	6,718	7,533	11.0	8,645	8,618	(0.3)
Beverage	6,367	5,551	(1.5)	7,336	7,737	5.5
General Packaging	1,135	985	(13.2)	1,158	955	(17.5)
Total	**19,752**	**20,582**	**4.1**	**23,679**	**23,423**	**(1.1)**
Plastic bottles						
(Million units)						
Beverage	546	487	(10.9)	362B	356B	(1.6)
Other	3,078	3,093	.5	2,081	1,900	(8.7)
Total	**3,625**	**3,580**	**(1.2)**	**2,443**	**2,257**	**(7.6)**

Note: B is data for April and May only.

[illegible]

Weibel Vineyards markets four wines in six-packs

MISSION SAN JOSE, CA—Weibel Champagne Vineyards, located here, is marketing wines in six-packs of single service bottles.

The company is selling the packages, called "Little Getaways," in convenience stores in California, Colorado and Hawaii, after a rollout in San Francisco in June, according to Peter Wolf, senior vp, marketing.

Rose, chablis, champagne and burgundy are the premium wines offered. The bottles, supplied by Glass Container Corp., contain 187 ml, or 6.3 oz.; 30 mm Alcoa Roll-On Pilferproof aluminum closures are supplied by Latchford Packaging Co., San Francisco.

The six-pack paperboard carriers are from Mead Packaging; the labels are made by Smurfit Diamond Packaging Corp.

Weibel Champagne Vineyards plans next spring to extend the market area to New

(Continued on page 139)

LITTLE GETAWAYS
CALIFORNIA WINE-TO-GO
LITTLE GETAWAYS

Weibel tries six-packs to boost sales.

Contents

Recession pulls down container profits

High interest rates and unemployment have caused profits in the container industry to drop below the 1981 rate. However, new products and processes are expected to boost demand and profit in the near future. Detailing the reasons for the container industry's poor showing in 1982 was Arthur Stupay, analyst for Prescott, Ball and Turben. For more detailed information and statistics on the container industry, see **page 4.**

Canada Dry changes mkting, bus. strategy

Canada Dry will be revamping its marketing and business strategy for 1983, and beyond. The new advertising program calls for $15 million to be spent in 1983, and for continued support through 1987. Included in the revamp will be the repositioning of ginger ale as a major soft drink, building national distribution for sugar free ginger ale, positioning club soda as "the perfect diet soft drink", and holding its lead in the mixers category. For more details on Canada Dry's advertising and business plans, see **page 8.**

Getting the most out of your consultant

Do you need a consultant to help with some phase of your bottling operation? If the answer to that question is yes, you're certainly not alone. Many industry experts feel that the days of the 'Jack of all trades' bottler are gone forever, with today's industry executive needing the help of CPA's investment bankers, operational consultants, attorneys, tax experts, advertising agencies, et al. Since these consultants are readily available, the question is not how to get them, but, how to get the most out of them. Read more about it on **page 22.**

Pepper's meet to discuss future

"Dr Pepper's taste made a Pepper out of me" is the new ad theme to go along with Dr Pepper's advertising and support program. The theme was unveiled at the compa-

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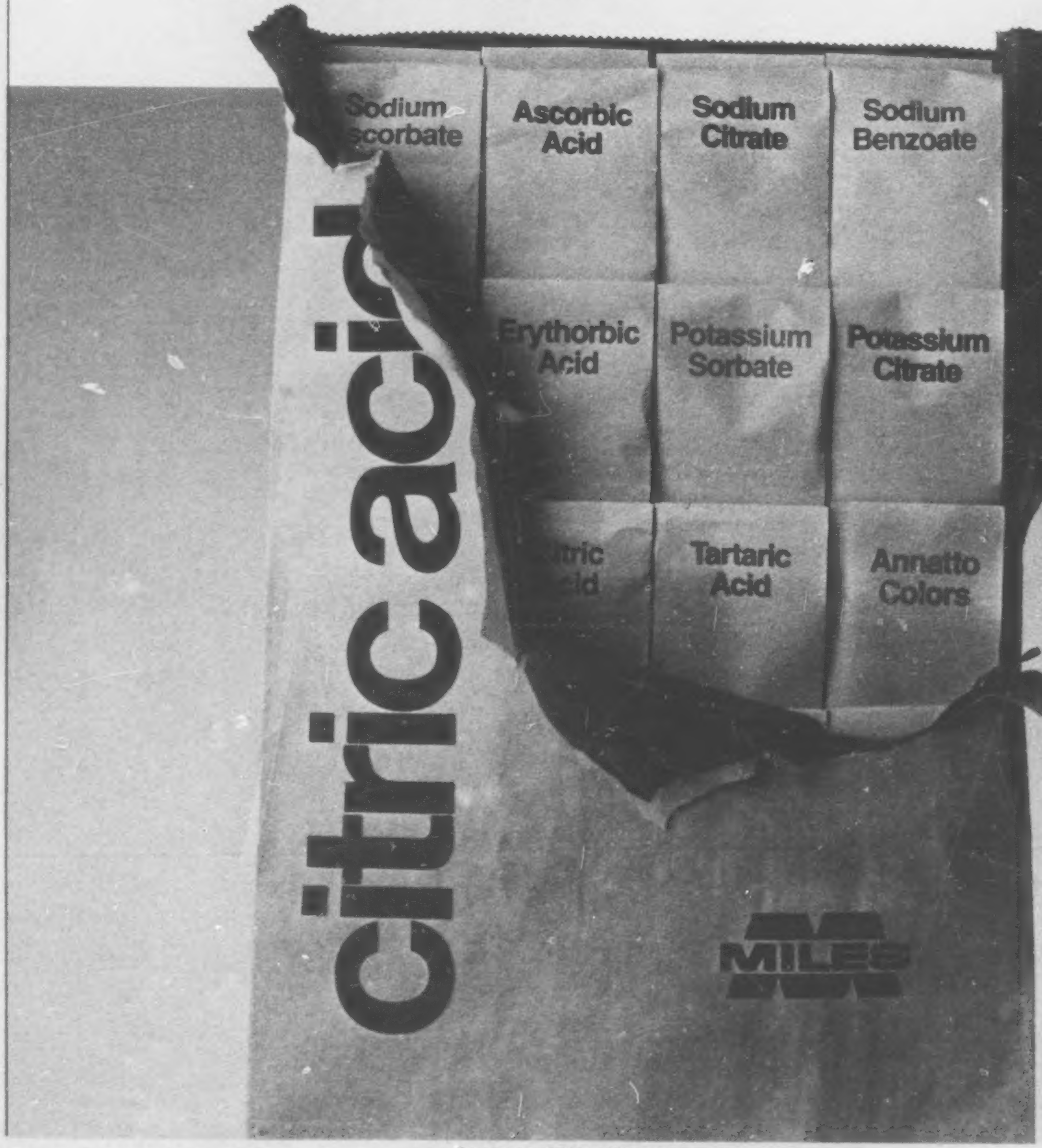

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Analysis of distribution costs via matrix systems

By **William E. Hardy, Jr.** associate professor of agricultural economics, **Auburn University,** AL.

The control of costs associated with the shipment of raw materials and finished products is a constant concern of transportation management. High fuel prices, escalating wage rates, and increasing expenses associated with acquiring and maintaining vehicles make efficient fleet operation a necessity if transport costs are to be controlled.

Technology has been available for many years to assist management in the design, evaluation and improvement of transportation networks. This is particularly true of techniques related to solving vehicle routing and scheduling problems. Many applications of these procedures indicate that transportation cost savings of 10% to 20% could easily be expected.

the problem

The major data requirement necessary for all routing analyses is a cost matrix. This matrix relates all stops to each other and to the distribution center. Travel distance is normally used as the unit of measure for this matrix. Various methods have been proposed to assist in the development of these data and even though some are very efficient, the task is still very time consuming and costly. With most procedures, calculation time expands exponentially as the size of the problem increases.

The effort and expense required for deriving the distance matrix makes many route managers reluctant to use computer-assisted route analysis. This aversion is particularly strong if the route network being considered has a large number of customers and the list of customers is highly variable, i.e. a service area in which new customers are constantly being added, while others are being lost. For analyses to be valid, new distance matrices would have to be constructed for each new set of customers. Any transportation cost reductions realized from the routing analyses could easily be lost through the expense of the analyses themselves.

the procedure

The case study analysis presented in this report illustrates a procedure for generating the distance matrix which should conserve time and be cost effective for large and even the most highly variable transportation network. The basic concept used is to overlay maps of the total service area with a grid. Use of a grid system is not new to anyone who works with maps. It is, however, somewhat unusual that it be used in vehicle routing and scheduling problems. Many researchers and practitioners who work in the area tend to feel that a grid system is not precise enough to give good routes. Research results presented later in this report indicate that their judgements of grid-based analysis are not necessarily valid.

The basic procedure fol-

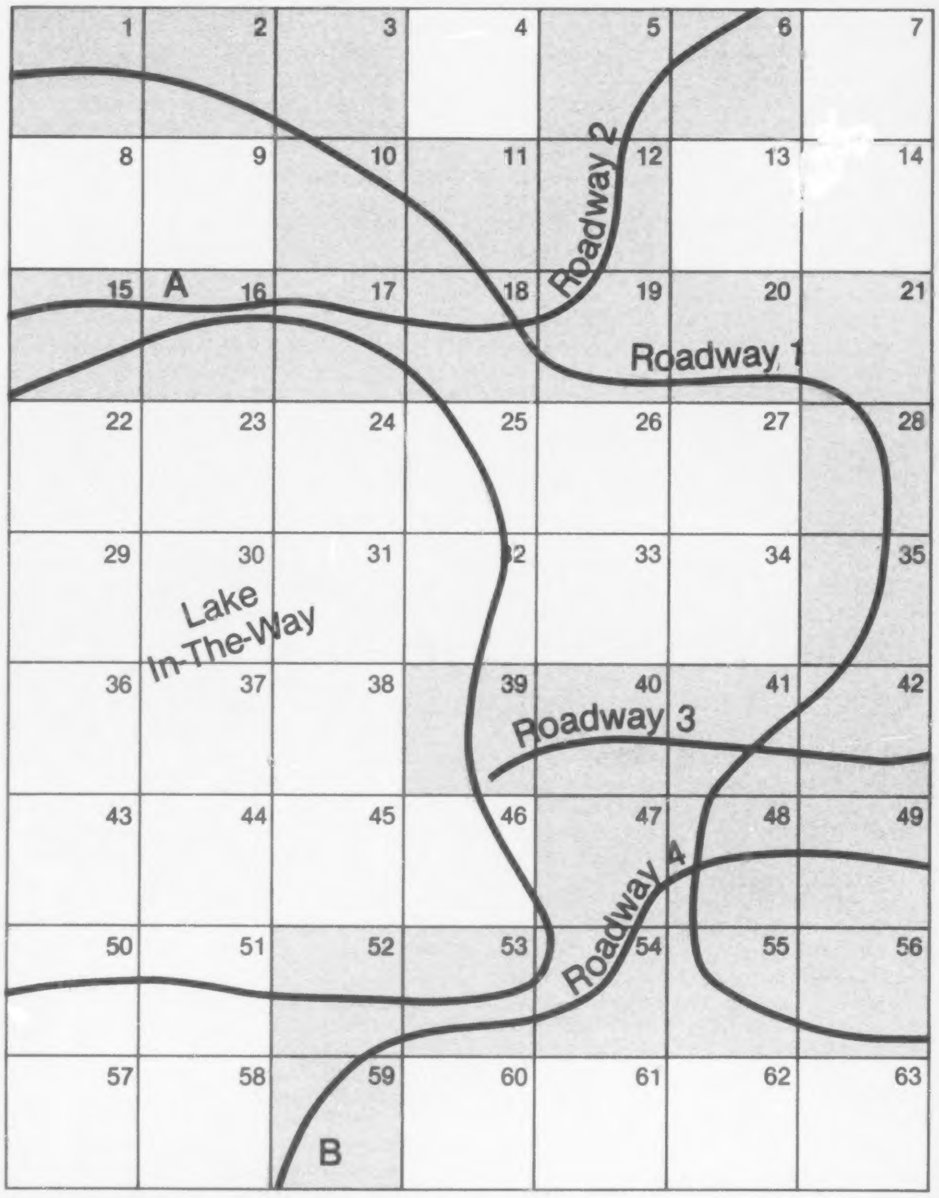

Table 1.
Data describing improved systems using actual customer locations and grids based on quarter-mile, half-mile, and mile scales for case study firm.

	Actual locations		Quarter-mile grid		Half-mile grid		One-mile grid	
	initial reroute	improved reroutes[2]	initial reroute	improved reroutes[3]	initial reroute	improved reroutes[3]	initial reroute	improved reroutes[3]
Number of routes	8	8	8	8	8	8	8	8
Total distance (miles)	336.27	334.82	400.7	358.2	431.35	358.4	416.4	372.4
Total service time (hours)	66:23	66:22	67:39	66:55	68:30	67:04	67:59	67:12
Total cost (dollars)	1575.82	1553.54	1682.04	1574.23	1692.09	1576.73	1681.22	1586.03
Cost/unit delivered (dollars)	1.47	1.45	1.57	1.47	1.58	1.47	1.57	1.48
Total number of grid cells	564		2,447		826		244	
Setup cost[1]	77.60		2402.50		150.40		17.70	
Grid cells for analysis	564		173		102		55	
Run cost[1]	983.40	35.40	882.90	46.81	95.20	32.70	17.10	19.70

[1] Figured at a rate of $10.00/CPU minute on an IBM 3031.
[2] One additional reroute was run.
[3] Three additional reroutes were run.

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About the author

William Hardy

William Hardy is an Associate Professor of Agricultural Economics at Auburn University. He is involved in teaching and research with emphasis on the application of quantitative techniques to solving business problems. He is a native of Virginia and received a B.S., M.S. and Ph.D. from Virginia Tech. In addition to his work at Auburn University, Hardy has consulted with several firms on the design and operation of their delivery systems.

lowed in establishing the foundation for calculating the distance matrix is as follows:

First, a map or set of maps is obtained which cover the entire service area for the transportation system under study. The analysis is made a great deal easier if all maps have the same scale.

Next, a grid size must be established. Obviously, as the grid size is decreased, the grid distance network will more accurately represent the actual distance matrix. Also, with smaller grid sizes, the number of grid cells for a given service area is larger. As the number of cells increases, computation time for generating the distance matrix and for utilizing the matrix for actual analyses also increases. As pointed out earlier, this rate of increase is usually exponential.

The next step in the formulation of the distance matrix is to remove all grid cells that do not contain either a current or potential customer or relevant roadway. The shaded map cells illustrated on Figure 1 indicate which grid cells would be kept for use in establishing the distance matrix.

Elimination of unnecessary grid cells accomplishes two purposes. First, the distance matrix developed from the grid network more accurately follows the actual road network. For example, if all cells were left in the map illustrated in Figure 1, then the shortest distance between points A and B, using a one mile grid, would be 7 miles. The actual distance, however, since travel around the lake is required, is 15 miles.

The second advantage of removing cells is that the total number used for the analysis is reduced. For the example illustration in Figure 1 the 63 grid cells for the total map have been reduced to 30, thus reducing computational time and computer storage requirements.

matrix generated

After the total service area has been mapped and identified with a grid network, including all current and potential customer sites as well as relevant travel paths, the distance matrix may be generated. This dataset should be stored on the computer in an easy to access permanent form so that it may be utilized for each routing analysis.

Each routing analysis would be initiated by a preprocessing computer program which would establish the relevant distance matrix for the customers being analyzed. Each customer record would identify the map cell location for that customer. The preprocessing program would identify all map cells that were needed and construct the appropriate distance matrix for the routing analysis. Construction of this matrix requires a simple search of the total distance matrix for the service area. This process is significantly less time consuming and costly than the generation of a completely new matrix for each analysis.

research results

The distribution system of a bottled water distributor located in a major city was chosen for analysis to compare routing results obtained by using actual customer locations and several different size grid systems.

Management of the case study firm indicated that its customer list was very large and dynamic and that, in addition to its work load constantly increasing, it might experience a 30% turnover in customers during the year. With such extensive changes being expected, it would not be feasible both from a time and cost viewpoint to use computer-assisted routing if a new distance matrix had to be calculated for each new set of customers. The use of a grid system to calculate a master distance file appeared to be the most viable alternative.

It was also felt that the delivery system of the water distributor would be a good test on the value of the grid system for routing analyses because of the relatively dense customer population. With customers located close together, the likelihood for error in the specification of travel distance with a grid system is greater than if the customers are widely dispersed over a large geographic area.

Two separate sets of analyses were used to permit an evaluation of the merits of using a grid to construct the distance matrix. For the first analysis, a list of 564 customers that were being served out of one distribution center of the company were plotted on a map of the service area. Both residential and business customers were served, with demand ranging from one bottle of water for many individual homes to 29 bottles for the largest commercial customer. Water was delivered on a vehicle with a maximum capacity of 150 bottles.

Table 2.
Route results using half-mile and one-mile grid scales for case study firm.

	Half-mile grid	One-mile grid
Number of Customers	3,507	3,507
Number of Routes	56	55
Total Distance (miles)	2,770	2,735
Total Service Time (hours)	389:25	384:24
Total Delivery Cost (dollars)	10,005	10,244
Total Number of Grid Cells	304	112
Total Cost for Analysis[1] (dollars)	338.20	82.40

[1] Figured at rate of $10.00/CPU minute on an IBM 3031

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Data describing several improved systems developed through computer assisted routing are presented in Table 1. As indicated previously, the normal procedure for route analysis is to pinpoint the actual location of each customer and generate a distance matrix which accurately represents the true distances connecting each customer to all other customers and to the distribution center. This was accomplished for the 564 customers with the hope of establishing the best possible delivery system.

The initial reroute established eight routes. The total cost for serving these routes was $1575.82; this total is based upon driver base pay and fringe benefits of $17.12 per hour, overtime of $15.95 per hour, daily fixed cost of each truck at $15.22 and a cost per mile of $.51. One additional reroute (with some manual adjustment as is required in most analyses) was run which generated additional minor improvements in mileage, time and cost.

analysis cost

A somewhat disappointing feature of the results using actual locations was the cost of the analysis itself. First, the distance matrix, which represented the 564 stops, had to be generated. Using very conservative computer rates, this expense was $77.60. It should be remembered that this distance matrix is only good for the particular set of 564 customers used in the analysis. In addition, the cost for the initial route analysis was $983.40 and the manual reroute was $35.40. Nearly 90% of the cost of the initial route analysis was devoted to the actual design of routes. With 564 cells to consider, the number of possible route alternatives was extensive.

The delivery system was analyzed using three different grid scales—quarter-mile, half-mile, and mile. In all cases, eight routes were established. Also, total delivery costs were nearly as good as was obtained when actual locations were used. Major differences, however, are seen when the costs of the analyses are compared.

Major differences are seen when the costs of the analyses are compared.

First, a look at the setup costs. With the quarter-mile grid scale, nearly $2,500 of computer time was required to generate the distance matrix. This distance matrix, with 2,447 cells, covered the entire service area and represented all current and potential customer locations and travel alternatives. It would never have to be generated again and would be available for all subsequent analyses of that service area.

The number of cells required to cover the total service area was a great deal smaller when the grid size was increased to half-mile. A total of 826 map cells required a computer cost of $150.40 to generate. The 244 cells needed for the one-mile scale cost only $17.70 to construct.

The cost for the routing analyses also declined significantly as the size of the grid cells was increased. A major portion of the time required for the initial quarter-mile reroute was spent in searching the large distance data matrix to find the appropriate elements for the 173 cells in which the customers were located. The portion of the cost for actual route design was relatively small. With the half-mile and one-mile grids, the cost of the analysis was reduced significantly. These relatively inexpensive route results would make frequent route re-evaluations cost effective.

The route costs illustrated in Table 1 are those directly related to vehicle ownership and operation. When customer demand and the list of customers to be served changes a great deal, additional cost must be allocated to the time spent by management in designing routes. If a manual approach is used, one or more individuals may be required to work continuously in route re-evaluation.

With implementation of computer-assisted routing analysis; however, the time required for designing a delivery system will likely be reduced significantly. This time savings would leave management free to accomplish other important tasks or to do more in depth analyses of their transportation networks.

The second set of analyses was completed to gain insight into potential cost savings available from using different grid sizes on a very large problem. For this analysis, data for the same service area of the bottled water company were used. In this example, however, the total number of customers analyzed exceeds 3,500.

Computer storage requirements and projected analysis times prevented an examination of routes using actual customer locations and the quarter-mile grid. Results using half-mile and one-mile grids are presented in Table 2. Again, route results were very similar, but the costs of analysis were significantly different. Analysis cost data indicate that the one-mile scale, for this case study firm, would likely give the best operational system.

The costs (both time and computer expense) associated with routing analyses of transportation systems having a large and variable set of customers are likely to be high since a new distance matrix would be required for each customer list. One approach for solving the problem of having to recompute the distance matrix each time the list of customers changes would be to use a grid system. A distance matrix of this type would have to be calculated only once and could be utilized repeatedly for additional routing analyses. Access to this database would significantly reduce the time and cost for each routing analysis.

Information given in this report permitted a comparison of the route statistics for improved delivery systems developed using actual customer locations and three different grid scales. Routes (after minor manual adjustments) were close to the same using all procedures.

Significant differences were seen, however, in the costs for the analyses. Solutions using actual customer locations and a quarter-mile grid had costs which were relatively high. With half-mile and one-mile grids, however, the costs for route analysis were reduced to very low levels.

Research results presented by others have stressed that the clustering or grouping of the customers that will be included on a route is as important as the actual sequence of service on the route when minimizing cost. The results of the routing analyses presented in this report tend to verify that premise. The use of a grid network for establishing the distance matrix does some of the clustering before actual route analysis begins. The resultant smaller number of cells greatly reduces the expense of analysis with little loss in improved routing efficiency.

The results of the analyses presented for this example case study firm imply the value of using the grid approach for solving other routing problems. Since the results for this firm with its relatively dense customer population were good, then it would be reasonable to expect similar success for other firms. This would be particularly true for firms having a larger distribution area with sparsely located customers.

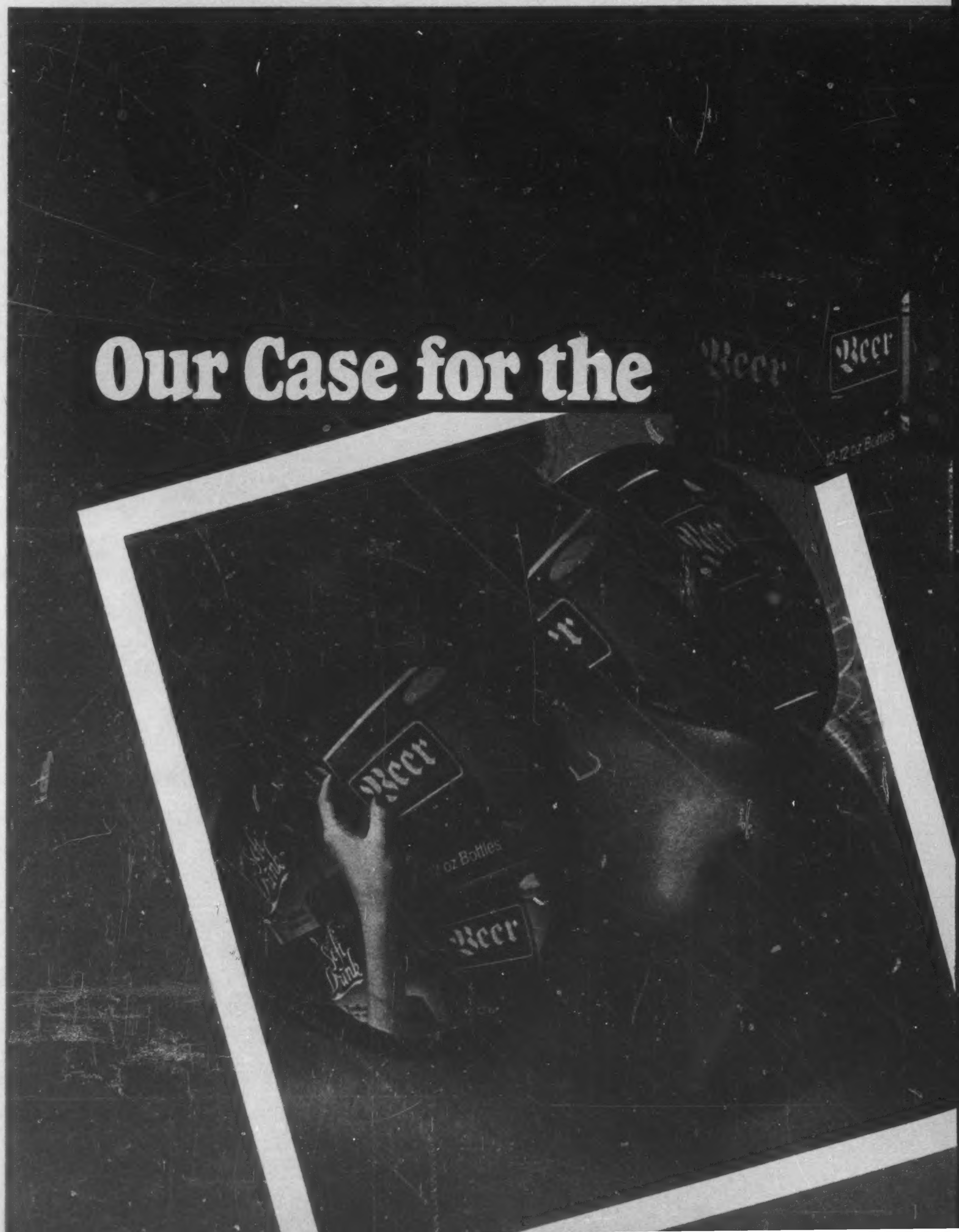
The size of the grid scale for additional analyses should be carefully selected to balance the trade-offs between decreased routing accuracy and savings in analysis cost.

Forest Girl wine gets 4-color P-O-S display

LAUDERDALE LAKES, FL—Baden Black Forest Girl wine has been given a new four-color carton and header display by Wineland Baden Imports, located here.

This new point-of-sale merchandising item, which the company hopes will be an eye-catcher, is currently being made available to retailers of the medium-dry wine.

Designed with retailers in mind, the card slips into the wine shipping case, and has a space where the retail price of the wine can be shown. The case card is available immediately and the new shipping carton will be used for all future shipments from Germany.



Portable route systems provide data to make strategic P-O-S decisions

By **Jeff Novak,** beverage industry marketing manager, **Norand Corp.**

Today's beverage industry executives must use an information management system that provides key sales and marketing information to formulate strategies and control tactical execution at the point-of-sale.

Beverage industry leaders are turning to portable route systems such as the Routecommander data system by Norand. Portable computer terminals in the hands of route persons provide the best tool for linking the industry executive to the point-of-sale.

Detailed and summary sales information is captured daily by customer, customer-type, package, brand and route. Information regarding promotional allowances by customer, customer-type, package, brand and route is also collected, as well as servicing of accounts according to frequency, time between outlets and profitability by stop.

From this data analytical reports become available on the host computer for strategy formulation. Examples of these reports include competitive sales by customer, customer-type, package, brand and route for this month to last month, year-to-date versus last year-to-date and promoted versus non-promoted. The host computer system should be configured to accommodate a minimum of two years sales history, maintain flexible report formats and allow extensive on-line inquiries into the data base.

A portable computer system also furnishes the control to execute tactics of the marketing strategy. For example, a strategy may be to increase market share of a particular package to chain stores. Tactically, this is done through a promotion allowance. Since a portable computer terminal applies the discount to that product at the point-of-sale, itemizes the transaction in data storage, controls the effective dates of the promotion and applies them to the proper customer, management can now precisely control the proper execution of the tactic.

Using the information collected, the strategy is analyzed the next day for its effectiveness at the point-of-sale. Did volume increase enough to offset lower margins? Did non-promoted package volumes increase? Did volume continue to increase with a longer duration for the promotion?

Control is also essential to effective tactic execution. The industry executive no longer just manages the business, but uses the portable computer system to control decisions at the point-of-sale.

The portable computer terminal, though, is more than a tool for collecting daily sales information. There are numerous benefits of the system that are just as important, and justify on their own the capital expenditure for the system.

Daily route analysis is an important derivative of the information collected by a portable computer system. Stop frequencies are analyzed for profitability. Low volume accounts are pinpointed for less frequent service. Seasonal account servicing is increased or decreased according to sales history. From sales, odometer and time stamp data, routes can be restructed more efficiently according to distance, volume and frequency. Vehicle operating costs and statistics can be correlated to route-types and efficiencies.

Route settlement accounting is reduced from 30-45 minutes to about 15 minutes. Daily zero cash settlement assures the driver against surprises and eliminates the need to carry overages and shortages. Sales commissions are calculated directly from the information captured from each salesman's terminal. Missing sales tickets no longer occur.

Vending machine accounting is also controlled by the system. The information collected provides sales, frequency and profit of each machine by location.

Customer satisfaction is increased by the progressive and professional approach from the sales person to provide accurate, computer-generated invoices for product delivery. Sales, promotional allowances, deposits, empties and tax are itemized on an easy to read invoice. No longer are tickets re-extended. Invoice errors become a rare occurrence.

Drivers are major benefactors of the system. They can literally work each day without using a pencil. A portable route computer is reinforcement of their importance and professionalism. It removes their paperwork headaches and allows them to concentrate on servicing their accounts.

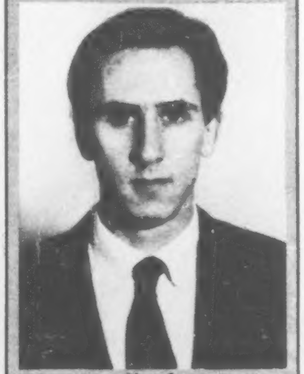
. . . and the list goes on from reducing data entry equipment to integrating inventory, accounts receivable and payroll data entered at the point-of-sale.

The challenge in the coming years is to implement a system to provide sales and market information, and enhance productivity at the route level.

Information technology, through portable route computers, is the tool for the industry executive to formulate market strategies and implement tactics at the point-of-sale to increase market share and profitability. As more and more retailers employ computerized scanning systems to capture sales data, the pressure increases upon the bottler to do the same to maintain the direct sale advantage of merchandising and space management.

The benefits of the system are directly proportional to management's commitment to use the information and control it provides. Portable computer systems put growth-minded bottlers in a stronger position to increase market share and net earnings in a highly competitive market. They must recognize the substantial return on their investment and make the capital expenditure.

About the author



Novak

Jeffrey M. Novak, who joined Norand Corp. in October 1978, is the beverage industry marketing manager for the Portable Products Division. His responsibilities include identifying and analyzing the use of portable computers for conventional and pre-sale distribution strategies. Novak works as a liaison with the relevant government agencies and industry associations. He also coordinates the development of new product offerings to meet the needs of the beverage industry.

Japanese beer shipments up 2% in '81, reaches 1.2 m gallons; per cap: 9.7 gallons

SPECIAL REPORT—Total beer shipments in Japan in 1981 were 4.6 million kl, or 1.2 billion gallons, a 2% increase over the previous year.

Beer shipments volume has been increasing steadily in Japan for the last five years. From 1976 to '77, shipments rose 13.2%; the increase slowed to 7.5% in 1978; shipments were up 1.0% in both '79 and '80.

Japan fifth

Among 50 countries tabulated for 1981, Japan ranks fifth in total beer production. The U.S. ranks first, then West Germany, the USSR and Britain. However, per capita consumption of beer in Japan lags far behind that of the other top producers.

In 1980, Japanese per capita consumption of beer was only 38.9 liters, or 9.7 gallons. West Germany led in this category with 36.4 gallons consumed per capita in 1980, the U.S. with 23 gallons and Britain with 29.2 gallons.

Statistics indicate there has been in Japan a great

(Continued on page 113)

Japanese alcoholic beverage consumption

1971:	Category:	1981:
47.5%	Japanese Sake	35.3%
9.6	Shochu Distilled White Spirit	9.2
26.9	Beer	30.6
11.2	Whisky/Other Spirit	20.0
4.8	Others	4.9
100.0	Total	100.0

Source: Yamasaki International

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Percent of beer production by Japanese breweries

Year:	Kirin: %	Sapporo: %	Asahi: %	Suntory: %
1976	63.8	18.4	11.8	6.0
1977	61.9	19.6	12.0	6.5
1978	62.1	19.6	11.6	6.7
1979	62.9	19.2	11.1	6.8
1980	62.2	19.6	11.1	7.1
1981	62.6	18.4	10.3	7.0

Source: Yamasaki International

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Japanese beer shipments

Year:	Shipment: kl	Increase: %
1977	4,153,124	13.2
1978	4,462,567	7.5
1979	4,508,460	1.0
1980	4,552,417	1.0
1981	4,645,621	2.0

Source: Yamasaki International

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Japanese beer

(Continued from page 112)

shift in consumption of alcoholic beverages during the 1970s. While Japanese sake consumption has decreased substantially in the decade, beer and whiskey has grown. In 1971, for example, sake accounted for 47.5% of Japanese alcoholic beverage consumption; in 1981, sake was down to 35.3%.

Beer consumption went from 26.9% of alcoholic beverage use in 1971 to 30.6% last year. Whiskey and other spirits rose from 11.2% to 20.0% in the decade. Shochu distilled wine spirit and other alcoholic beverages made up the remaining consumption. These two categories held steady at around 9.5% and 5% respectively in '71 and '81.

Beer production in Japan is limited to four licensed breweries who operate 33 plants throughout the country. Kirin has been the production volume leader for the past six years (as far back as our statistics show). Kirin has consistently accounted for at least 60% of Japanese beer production: last year the company's share was 62.6%.

Sapporo maintains about a 20% share of production; 18.4% in 1981, down from 19.6% the year before. Asahi commonly produces around 10% of Japanese beer volume; in 1981 the company accounted for 10.3%, its lowest volume share in the last six years.

Suntory's share of beer production last year was 7.0%, down only slightly from 1980. Suntory typically accounts for about 7% of total production.

Kirin, Sapporo and Asahi make their beer following German brewing technology; Suntory learned from Danish companies.

Beer market segmentation in Japan (offering super premium, premium, regular and light beers) is still in infant stages. Most of the beer sold in Japan is non-draft sold in individual 633 ml (about 22 oz.) brown bottles. Kirin is the only Japanese brewer with a light beer; sales are limited. Package draft beer, using ultrafiltration, has become more and more popular in Japan in recent years.

The standard package for the local market is the 633 ml bottle, which made up 60.7% of total beer sales in 1981, followed by 500 ml (17 oz.) bottles at 17.6%, 334 ml (about 12 oz.) bottles at 5.2%, 350 ml cans at 8.4% and bulk packaging at 7.7%.

In the last few years, all the Japanese breweries have introduced larger container sizes (1-L, 1.5-L, 2-L and 3-L) made of aluminum or PET to target the homemarket with draft beer and dispensing devices. Wide-mouth glass bottles and 10 oz. PET bottles have been introduced within the past year.

Imported beer to Japan reached the 16,613 kl (4.2 million gallon) level in 1981. This was 0.3% of total beer consumption. Imported beer volume has risen markedly; the 1981 figure is 51.8% higher than the year before. Consumption of imported beers in Japan has tripled in the last five years.

Budweiser, Olympia, Heineken, Henninger and Guiness were the top imported beers last year. Distribution of Budweiser is through Suntory; Guiness is sold through Sapporo. Both of these Japanese brewers are expected to start local production of these foreign brands soon, under license.

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Containers

(Continued from page 4)

ments were off 2.3% in the second quarter of '82 versus the same period in '81. Can shipments and plastic beverage bottle shipments were also down in the period. Stupay believes the third quarter of '82 will show similar results. He thinks major container companies will continue to stress cost reduction without changing pricing in the third quarter.

earnings

Most U.S. container companies reported lower earnings in the first half of 1982. Third quarter earnings, as well, should be down, compared to a year earlier. Nonetheless, while overall industry volume has been off for most of '82, not all producers have had their shipments decline. And several companies show reasonably good earnings potential.

glass volume

Overall glass container volume in the first half of 1982, was off 2%. Of that, shipments of beer containers were down 4%; liquor and wine bottles were down even more. Demand for glass bottles for soft drinks, though, rose modestly in the period. In the midst of all this, Ball Corporation, National Can's glass division and Owens-Illinois all managed to improve glass container shipments in the first half of '82.

Crown, Cork and Seal is losing sales this year because of reduced demand for steel beverage cans. The company's machinery operations have been hurt by high interest rates. It is responding by removing several can forming lines and switching to aluminum for beer and soft drink cans.

Can sales to the third quarter of '82 were up for Continental Group because of the firm's emphasis on 2-piece aluminum beer and soft drink cans. The company's earnings drop this year is primarily due, Stupay says, to weak pricing in PET beverage bottles.

Metal container income at Ball Corporation was off in the second quarter of this year due to soft pricing, although profit margins improved from the first quarter. Ball's glass operations, on the other hand, were very strong in the first half of this year, mainly because of better demand for glass for food containers, although the rise in demand for glass bottles for soft drinks also contributed.

(Continued on page 141)

Price Indexes

	June 1981	June 1982	% Change
Glass containers	335.3	357.4	6.6
Beer Bottle, Nonreturnable	269.6	283.1	5.0
Beverage Bottle, Returnable	338.5	367.9	8.7
Metal cans	317.3	332.7	4.9
Steel Cans, all end-uses	100.0	104.6	4.6
Aluminum Beer Cans	N/A	264.0	N/A
Aluminum Cans, all end-uses	100.0	107.1	7.1
Plastic bottles	127.7	129.0	1.0
Tin Plate, $ per base box	$31.32	$31.91	1.9
Aluminum can stock, $ per pound	$ .979	$ .990	1.1

1. Index 1967=100. 2. Index 6/81=100. 3. Index 12/70=100. 4. Index 6/78=100.

Source: Arthur Stupay, Prescott, Ball & Turben.

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Cans most affected by NYS bottle bill: Stupay

What will passage of New York State's forced deposit law do to beverage container shipments there?

Last year, soft drink sales in the state were estimated at 5.4 billion equivalent 12 oz. units, or 7.3% of national shipments, according to Arthur Stupay. Beer volume was about 3.7 billion units, or 7.2% of total U.S. volume.

Cans made up a good portion of the soft drink packaging mix in the state: 37% of packaged sales, which was above the national average. Cans were only 36% of the packaging mix for beer, below the national average of 60%. Most of the beer was sold in NR glass, but that container accounted for a very small portion of the soft drink packaging mix.

New York's bottle bill is scheduled to take effect July 1, 1983. It puts a 5 cent deposit on all beer and soft drinks sold in the state; it also permits a 1 cent per container handling fee for retailers, and it bans detachable pull tabs.

Stupay says that beverage consumption should drop off modestly for the first year the law is in effect. This is based on experience in other bottle bill states. Also, he says, can shipments during the first several months could drop significantly, perhaps by 50%. But, can use should pick up as consumers get used to the deposit system.

NR glass use will drop also, but not as much as cans. It is likely, Stupay says, that within 15 months to two years, both can and one-way bottle sales could be restored to pre-deposit law levels. This assumes the experience in New York mirrors that of Vermont.

New York State/national container shipments: 1981

Mil equiv. 12-oz. units	One-way glass	Cans
Beer	2,080	1,350
Soft drinks	936	2,023
Total N.Y. State	**3,016**	**3,373**
National shipments	29,117	56,326
N.Y. State % national	10.4%	6.0%

Source: Arthur Stupay, Prescott, Bell & Turben.

Copyright: Beverage Industry, November 19, 1982

In the plastic beverage bottle sector, Dorsey continues to be the most profitable company, according to Stupay. This is true, he says, even though unit volume of PET beverage bottles dropped a bit in the second quarter of '82, and should be lower again in the third. The reasons: success of 12-pack can sales probably hurt 2-L PET beverage bottle sales.

new products

Container companies are coming out with a variety of new products that Stupay believes could help spur demand. The Bureau of Alcohol, Tobacco and Firearms (BATF), is expected to allow PET for liquor and wine bottles. When this happens, Stupay thinks plastics will be used in the 1.75-L package for vodka, gin and domestic whiskies. Plastics for large-size wine bottles will follow.

.5-L PET beverage bottles are off to a slow start because of their high cost (estimated at $10 to $15 more per thousand than glass), limited shelf life and reported taste distortion. Another problem, Stupay points out, is that the bottle-making machinery reportedly doesn't produce at rated speeds, and yields are low. Container companies, as a result, have been focusing on improving machine operation. In the process, says Stupay, they may have developed a better product.

Next year, Continental Group will offer a 16 oz. reclosable aluminum can. The product was test-marketed this year. It does two things for the company: first, the product utilizes new technology in can-making from recycled aluminum sheet; second, it introduces a can container to the 16 oz./.5-L market, which is the fastest-growing soft drink size category. Continental says the "aluminum bottle" may cost about $75 per 1,000 units, using recycled aluminum for the cone-shaped top part.

Finally, in the arena of new products, Stupay says the can and beverage industries have scored big in 1982 by promoting 12-pack carriers for canned soft drinks, a concept already highly successful for beer. With promotional pricing, 12-packs are competitive with the 2-L package on a per ounce basis.

Comparing can materials costs, several companies that make both steel and aluminum cans now say that the aluminum cans are less expensive to produce. In addition, says Stupay, aluminum cans have recycling value.

Aluminum companies have established "tolling" arrangements where used beverage cans are accepted by the companies and new plate is provided in exchange, plus a processing charge. This results in a lower net cost of aluminum can stock (currently about 60 cents per pound after a scrap credit).

ABCR

(Continued from page 54)

beverage companies, raw material suppliers, and the front line entrepreneurial recyclers.

According to William E. Armgard, executive vice president of the organization, "ABCR's total mission will be to protect our nation's valuable solid waste while protecting our environment, conserve energy, promote the utilization of less costly materials, and the creation of jobs

(Continued on page 143)

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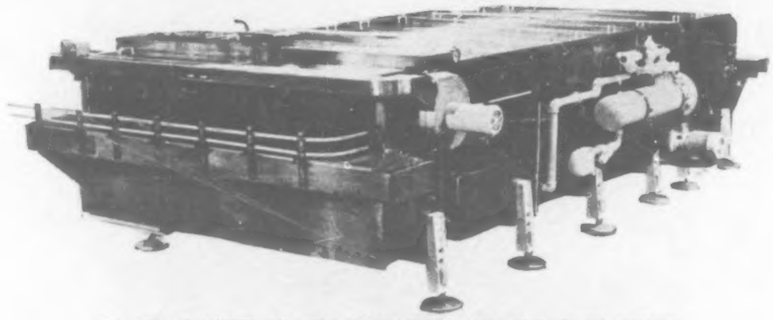

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Beverage Business Indicators

Glass container shipments

(thousands of gross)
(not seasonally adjusted)

	April '82	May '82	% change
Bottles	27,406	26,693	(2.6)
Beverage:			
refillable	366	441	14.3
nonrefillable	4,964	5,252	5.8
under 10 oz	97	109	12.4
10.0 to 15.9 oz	1,586	1,589	0.2
16.0 to 16.9 oz (includes .5-L)	2,913	3,223	10.6
17.0 to 33.9 oz (includes 1-L)	368	331	(10.0)
34.0 oz. and over (includes 2-L)	—	—	—
Beer:			
refillable	384	253	34.1
nonrefillable	9,119	9,462	3.8
under 11 oz	1,426	1,478	3.6
11.0 to 15.9 oz	7,150	7,382	3.2
16.0 and over	543	602	10.9
Liquor:	1,157	1,057	(8.6)
Under 125 ml (4.23 oz and under)	103	144	39.8
126 to 275 ml (4.24 to 9.3 oz)	280	232	17.1
276 to 500 ml (9.31 to 16.9 oz)	137	123	10.2
501 to 800 ml (16.91 to 27.04 oz)	240	210	(12.5)
801 to 1000 ml (27.05 to 33.80 oz)	248	213	(14.1)
1001 ml and over	149	135	(9.4)
Wine:	736	743	1.0
501 to 500 ml (4.24 to 16.9 oz)	132	156	18.2
501 to 800 ml (16.91 to 27.04 oz)	330	317	(3.9)
801 to 1000 ml (27.05 to 33.8 oz)	15	31	106.6
1001 to 1600 ml (33.81 to 54.08 oz)	141	137	(2.8)
Over 1600 ml (over 54.08 oz)	118	102	(13.5)

Source: U.S. Dept. of Commerce
Bureau of the Census

Closures for beverages

	May '82	June '82	% change
Metal (for spirits, wines)	58,930	43,307	(26.5)
Plastic (for spirits, wines)	115,652	143,921	24.4
Metal crowns (beer and soft drinks)	20,584	24,652	19.8
Soft drink (convenience types)	1,490	2,419	62.4
Soft drink (conventional types)	4,752	7,695	61.9
Beer (convenience types)	5,250	12,726	142.4
Beer (conventional types)	1,436	1,812	26.2
All other metal closures other than crowns	**6,108**	**6,587**	**7.8**

Source: U.S. Dept. of Commerce
Bureau of the Census

Imported beverages

(Proof gals)

	April '82	May '82	% change
Beer*	13,086,224	16,292,050	24.5
Whiskey	5,914,454	6,882,811	16.4
Brandy	389,682	486,033	24.7
Gin	359,224	465,559	29.6
Rum	71,000	39,195	(44.8)
Cordials and liqueurs	683,136	610,560	(10.6)
Others	548,803	621,096	(13.2)
Total	**21,052,523**	**25,397,304**	**20.6**
Sparkling wines	524,089	674,600	28.7
Still wines, table	7,515,613	8,860,949	17.9
Still wines, fortified	173,870	180,388	3.7
Vermouth	249,767	174,003	(30.3)

* Includes ale, stout, porter
Source: National Association of Beverage Importers, Inc

Selected Consumer Price Index

(The year 1967 equals 100)

	Dec. '81	Jan. '82	% change
Cola	295.7	302.4	2.3
Other carbonated soft drinks	137.2	141.9	3.4
Noncarbonated drinks	137.1	138.0	0.7
Wine	203.5	205.0	0.7
Beer and ale	238.0	232.2	(2.4)

Sweetener data

(Cents per pound, dry basis)

	Feb. '82	March '82	% change
HFCS wholesale prices			
California	16.90	16.90	0.0
New York	15.49	15.49	0.0
Chicago-West	14.08	14.08	0.0
Beet sugar wholesale prices	—	—	—
Dextrose wholesale prices			
California	28.64	28.64	0.0
New York	27.17	27.17	0.0
Chicago-West	27.17	27.17	0.0

Source: U.S. Dept. of Agriculture

Domestic beer removals

(Barrels of 31 gals)

	March '82	April '82	% change
Bottles and cans	13,725,844	13,821,767	0.7
Barrels and kegs	1,955,651	1,993,170	1.9
For export	218,990	232,709	6.3
Other	19,066	20,063	5.2
Total	**15,919,551**	**16,067,709**	**0.9**

Source: U.S. Dept. of the Treasury
Bureau of Alcohol, Tobacco and Firearms

Domestic wine removals

(Wine gals)

	March '82	April '82	% change
Still wines (bulk)	241,706	174,213	(27.9)
Still wines (bottled)	34,922,861	29,857,742	(14.5)
Effervescent wines (bulk & bottled)	1,928,411	1,615,591	(16.2)
Total	**37,092,978**	**31,647,546**	**(14.7)**

Source: U.S. Dept. of the Treasury
Bureau of Alcohol, Tobacco and Firearms

Domestic spirits removals

(Wine gals)

	Dec. '81	Jan. '81	% change
Whiskey	11,778,678	8,810,119	(25.2)
Brandy	1,363,333	1,282,291	(5.9)
Rum	2,113,819	1,753,988	(17.0)
Gin	2,576,594	3,003,870	16.6
Vodka	8,324,840	7,099,769	(14.7)
Cordials and liqueurs	2,732,618	2,368,685	(13.3)
Cocktails and mixed drinks	781,508	597,231	(23.6)
Total	**29,671,390**	**24,915,953**	**(16.0)**

Source: U.S. Dept. of the Treasury
Bureau of Alcohol, Tobacco and Firearms

Blow-molded plastic bottle production

(thousands of units)

	April '82	May '82	% change
Plastic bottles (blow-molded)	1,142,989	1,114,191	(2.5)
Carbonated beverages	169,138	187,222	10.7

Source: U.S. Dept. of Commerce
Bureau of the Census

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Production of fuel grade ethanol from soft drink bottling wastes

By **John Walker**, president,
Fermentec Corp., Los Gatos, CA

Editor's note: *This article is adapted from a presentation given at a recent meeting of the society of Soft Drink Technologists.*

This is a presentation of a system for producing fuel grade ethanol from bottling plant waste.

Work to develop this system began in mid-1980 with discussions between the management of Hygeia Coca-Cola Bottling Company, Pensacola, FL, and Fermentec, a fermentation process and system development company specializing in the conversion of food processing wastes into valuable products. We were asked to determine if it was technically and economically feasible to produce ethanol from soft drink bottling wastes.

After completion of a research program in our fermentation laboratories to establish the biological parameters of the fermentation, and after evaluating several possible engineering designs, we developed our CYBA (Cyclic Batch Alcohol) System production system.

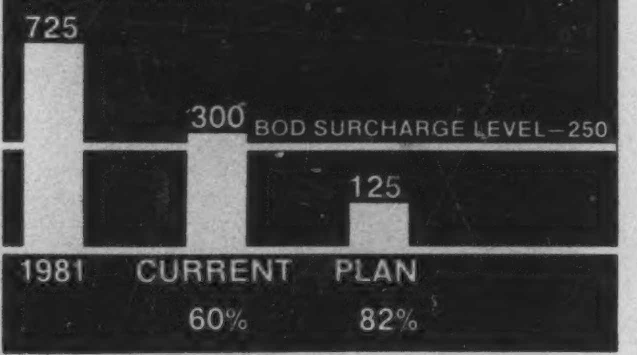
Table I

Average waste collection from major sources at Hygeia Coca-Cola Bottling Co.

Waste sources	Yield	% Sugar
Seamer	350 gal/day	10.5
Bottle washers	200 gal/wk	6-8
Pre-mix—post-mix returns	40 gal/day	10-50
Production rejects		
Can low fills	15 gal/day	10.5
Bottle failures	25 gal/wk	10.5
Snifts	20 gal/day	10.5
Q. C. Testing		
Can line	10 gal/day	10.5
Two bottle lines	10 gal/day	10.5
Washouts		
Carbo coolers, fillers, syrup lines	150 gal/day	6-30
Average	650 gal/day	10+ BRIX

TABLE II

BOD REDUCTION WITH CYBA SYSTEM (BOD in ppm)



The CYBA System was installed at the end of 1981 at Hygeia's plant and is now fully integrated and operating as part of daily routine.

Hygeia's major waste pollutant is BOD (Biological Oxygen Demand) from sugar syrup, which is a result of production losses estimated at .5% to 1% of the syrup processed, plus product contained in bottle returns and in containers of post-mix and pre-mix returns. Hygeia has been operating its own waste treatment system and was required to reduce BOD to 10 ppm prior to discharge. As the plant's production increased, the company was faced with probable increases in capital and operating costs of its waste treatment systems.

Simultaneously, local officials were encouraging the company to discontinue utilizing its own treatment system and instead to discharge into the newly completed municipal sewage plant. This option would require Hygeia to pay sewer service surcharges for BOD and other pollutants, and to become locked into future cost increases over which it would have little control.

Neither of these options was clearly desirable. It was a Hobson's choice at best.

Furthermore, over the past eight years fuel costs have risen dramatically and unpredictably, and fuel supplies have been interrupted. While we enjoy an oil surplus today, it is also clear that the basic causes of past fuel problems have not essentially changed, and the threat of future price increases, supply problems and rationing still exist.

The solution Hygeia chose was to install the Fermentec CYBA System. By selectively collecting the high sugar wastes, and feeding them to the CYBA System, overall plant BOD can be reduced by 80% to 85%. This allows Hygeia to stop operating its own waste treatment system and to discharge directly into the municipal sewage system, thus eliminating substantial operating costs and releasing several acres of land that were used for the waste treatment system. Also, this high BOD reduction can virtually eliminate BOD surcharges.

Furthermore, the CYBA System produces 190 proof fuel ethanol. Hygeia has decided to use this valuable product as a blend with gasoline to produce a gasohol-type fuel.

As a result of cost savings achieved in waste treatment and fuel costs, the CYBA System provides a healthy four-year payback at a 24% IRR (Internal Rate of Return). This is particularly attractive when compared to other alternatives mentioned above, neither of which is capable of producing any return on investment.

Fermentec CYBA system flow chart

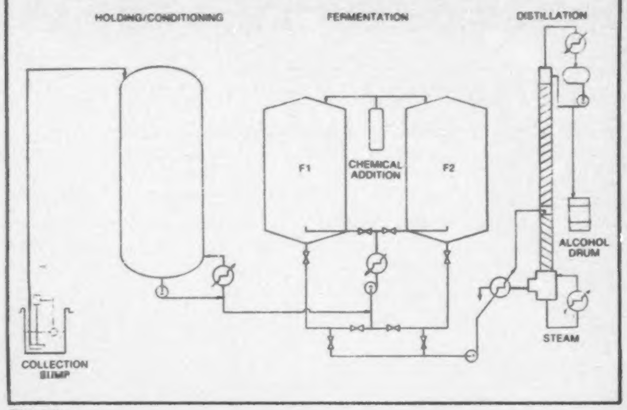


Chart 1

Table III

Ethanol value and uses

In-house uses:

Gasoline-ethanol blend (gasohol) at 90% unleaded regular, 10% ethanol

Value (per gallon of ethanol produced):

Replaces one gallon of gasoline	$1.20
Federal tax credit	.40
Florida state tax credit	.50
Total value	$2.10

Other in-house uses:

- **Direct fuel in modified gasoline vehicles**
- **Supplement in diesel vehicles to boost power, mileage**
- **Supplement as a boiler fuel**

Outside markets may exist in local area

The initial steps Hygeia took in evaluating the application of the CYBA System was to conduct a thorough plant waste survey to identify and quantify all sources of high sugar waste (6% sugar

(Continued on page 160)

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Ethanol

(Continued from page 157)

or greater).

One of the major sources of waste is bottle returns. This waste is usually contaminated with bacteria, as well as other foreign matter, a consideration that was included in the system design.

Another major source of waste is the can line seamer. The amount of waste seen at any time is small, but with modern high-speed lines, it is constant, and amounts to a substantial waste problem over the operating day. This waste flow is also contaminated, but in this case with the lubricating oil used in the seamer.

Production rejects also account for another source of high strength waste. These rejects occur in the filling operating, in low can fills, and other such discrepancies.

Standard practice in the plant has called for operating personnel to dispose of rejected product directly to the floor drains. Quality control waste products were also routinely discarded to the drain. The results of the plant waste survey are shown in Table I., Average daily loading for all sources.

This survey indicated that the total high sugar waste streams would account for about 650 GPD (gallons per day) on an 8-hour basis, and that the expected sugar strength would be in excess of 10 Brix. It was particularly important to capture the very high strength pre-mix and post-mix returns, and the washouts from the carbo-coolers, fillers and syrup lines, as seen in Table I.

On the basis of this survey it was determined that less than 1% of the total waste flow by volume contributes 90% to 95% of the BOD loading. The CYBA System was designed based on this survey.

The flow diagram of the System is shown in Chart I. It consists of four major elements. First, the collection system must be installed to segregate and selectively collect only the high sugar waste streams. The next section is the holding section where the wastes are stored awaiting transfer to the fermentors.

The fermentation system, the third section, consists of two equally-sized fermentors with adequate capacity to handle the maximum daily waste load during the summer season, in this case 1200 gallons, and to complete the fermentation in 24 hours. It is in the fermentors that the actual conversion from sugar to ethanol takes place.

Table IV

Annual operating costs of CYBA system

Consumables:	
Inoculum	$ 2,100
Chemicals	200
Sub-total	$ 2,370
Utilities:	
Electricity (4.037¢/KWH)	$ 1,100
Steam (natural gas @ $4.20/1,000 ft.)	1,600
Sub-total	$ 2,700
Labor:	
2 Man-hours/batch	$ 1,900
Maintenance:	1,500
Total annual operating costs:	$ 8,400
Cost per gallon of ethanol:	$.60

Table V

Annual operating projections for the CYBA system

Revenues:	
Reduced sewage costs (128,00 #BOD @ $.09/#)	$ 11,000
Ethanol value (14,000 gals. @ $2.10)	29,400
Total revenues	$ 40,400
Operating costs:	$ (8,400)
Net operating margin	$ 32,000
Depreciation (A.C.R.S.—5 yrs.)	$(30,000)
Taxable income	$ 2,000
Tax—50% rate	$ (1,000)
After tax profit	$ 1,000
After tax cash flow:	
Net operating margin	$ 32,000
Tax	$ (1,000)
Total after tax cash flow	$ 31,000

When the fermentation is complete the contents are transferred to the distillation system to separate and collect high proof ethanol.

Now we'll discuss the various sections of the system in greater depth.

First, let's discuss the collection system. The results to be obtained from the CYBA System are only as good as the collection system. In this case let's paraphrase that old cliche of "garbage in - garbage out," to be "waste in - ethanol out," but the emphasis is the same.

Hygeia installed a collection tray at each filling machine. This consists of a small stainless steel tray with a plastic pipe draining the tray and taking the waste by gravity to a collection sump located nearby. This was done at both bottling lines and at the can line.

A tray was also attached underneath each syrup divert panel and is used to collect dribbles and line washouts. This site also serves as an inplant collection point for rejects, in contrast to the previous practice of dumping the rejects directly to the floor drain. The contents of this collection tray also are piped to the collection sump.

For washouts of the carbo coolers, a line was installed under the floor drain. This underdrain system runs the length of the bottling room. Whenever an operator needs to wash out the machine, he attaches a hose to this under-

Table VI

Return on investment for CYBA system

Installed cost of CYBA system		$150,000
Less: Investment tax credit (10%)	$15,000	
Energy Tax Credit (10%)	15,000	
Total tax credits		(30,000)
Total net investment		$120,000
Payback period		3.6 years
Internal rate of return		24%
Assumptions:		
8% inflation rate		
4.5% growth rate		

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drain system. The last section of the hose is clear so that the operator can visually check to determine when the initial high strength rinse is complete. At that point, he breaks the connection to allow the following low strength rinse water and wash water to flow directly to the drain and bypass the CYBA System. It is as important to minimize the collection of low sugar waste as it is to collect the high sugar waste.

Waste from the seamer is collected in the pan at the base of the seamer and is directly piped to the collection sump. The pre-mix and post-mix returns are dumped by the operator into another small stainless steel collection tray which drains into a container which is later dumped into the collection system.

The waste contained in bottle returns is collected in two ways. First, the bottle washer has a separate collection pan for the dump of the contents of the bottles prior to the initial rinse. This pan is then piped to the collection system. In addition, the operator of the bottle washers pulls the bottles with large amounts of product remaining in them from the line feeding the washer and dumps these wastes into a collection tank.

The collection sump is a stainless tank of approximately 150 gallons. The wastes from the various sources throughout the plant go into this tank. It is equipped with a float valve so that when the liquid level rises to a pre-determined point, a small pump is activated transferring the contents to the holding tank on the CYBA System.

Overall, the collection system, designed and installed by Hygeia personnel, is straightforward, simple, inexpensive, and most of all, highly effective in segregating and collecting the high strength waste streams.

At Hygeia the fermentors are on the right, in the center is the holding tank, and the distillation column is at the left. The entire system is skid-mounted to simplify installation at site. All is controlled by one weather-proof panel. Steam is used to heat the liquid for distillation. Cooling, when required, is achieved by recirculated, treated water.

The holding tank is a translucent figerglass tank sufficient to contain several days of production waste; in this case 3000 gallons. Temperature control is achieved by circulating the liquids through a regenerative heat exchanger, which also cools the ethanol produced in the still. The tank is equipped with level control probes to prevent over-filling or to prevent the level from falling below the point necessary for the recirculation loop. The tank has a volume marker on its side so the operator can read and record the tank volume and amount of waste collected on a daily basis.

A side benefit can be gained from this figure, which allows plant management to record the amount of waste produced and relate it directly to daily production operations, getting an even tighter control over production losses.

When the holding tank has at least 1200 gallons of waste, that amount is transferred to one of the insulated fermentors. The operator then inoculates the batch and allows the mixture to ferment for 24

(Continued on page 162)

"This financing proposal for the bottling plant is inadequate."

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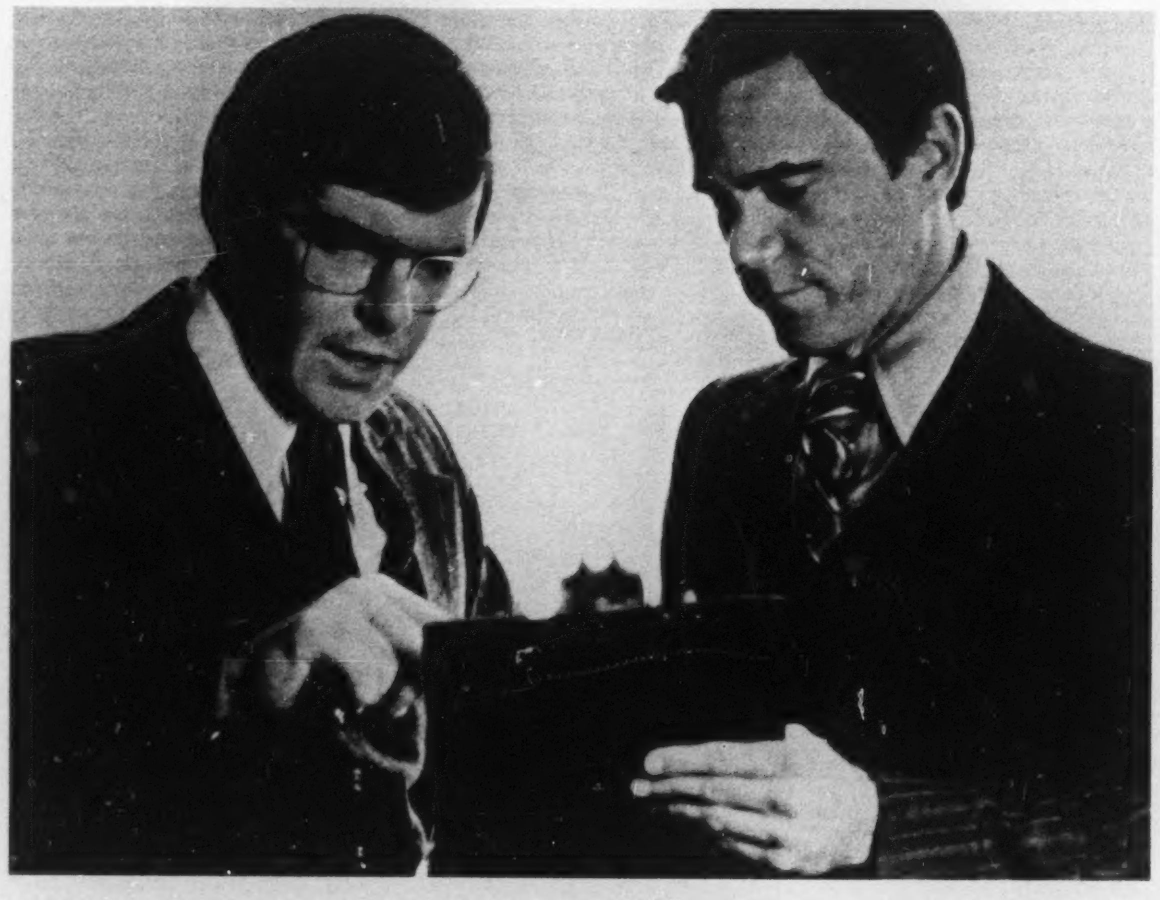

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hours. During that time the temperature is maintained and the fermentors are cooled to 90 to 95°F by circulating the "beer" through the heat exchanger.

Once the fermentation is complete, the contents of the fermentor are fed to distillation. While this is being done in the first fermentor, the second fermentor is beginning a new batch. Thus, the fermentors alternate so that one is always feeding the still while the other is in active fermentation.

The distillation system consists of a column, a feed heat exchanger, and a controlled steam supply. The incoming feed is substantially heated in the exchanger by the still bottoms. It then enters the feed section of this continuously operating still.

Feed enters the column approximately one third of the way up from the bottom. As the beer flows downward, the lower or "stripping section" removes the ethanol from the beer. As the vapors rise through the upper or "enriching" section the purity improves until it reaches 190 proof. The water keeps flowing down, the ethanol up.

As the vapors reach the top they are condensed and returned to a reflux drum mounted on the column. The proof control system monitors alcohol purity continuously. When 190 proof is obtained the valve opens and the ethanol is withdrawn to the storage drums. If the proof falls below 190, the valve is closed and the ethanol returns to the enriching section until the higher purity is achieved.

A hydrometer is used to check product purity. Laboratory analysis has shown the product to be 96.8% ethanol, 3.2% water, and less than .01% other.

The ethanol is stored in drums to be later mixed with gasoline, 500 gallons of ethanol to 4500 gallons of gasoline. Each drum is required to be marked with a warning. Denaturing, by mixing with gasoline, is required before the ethanol is permitted to leave the premises.

central control panel

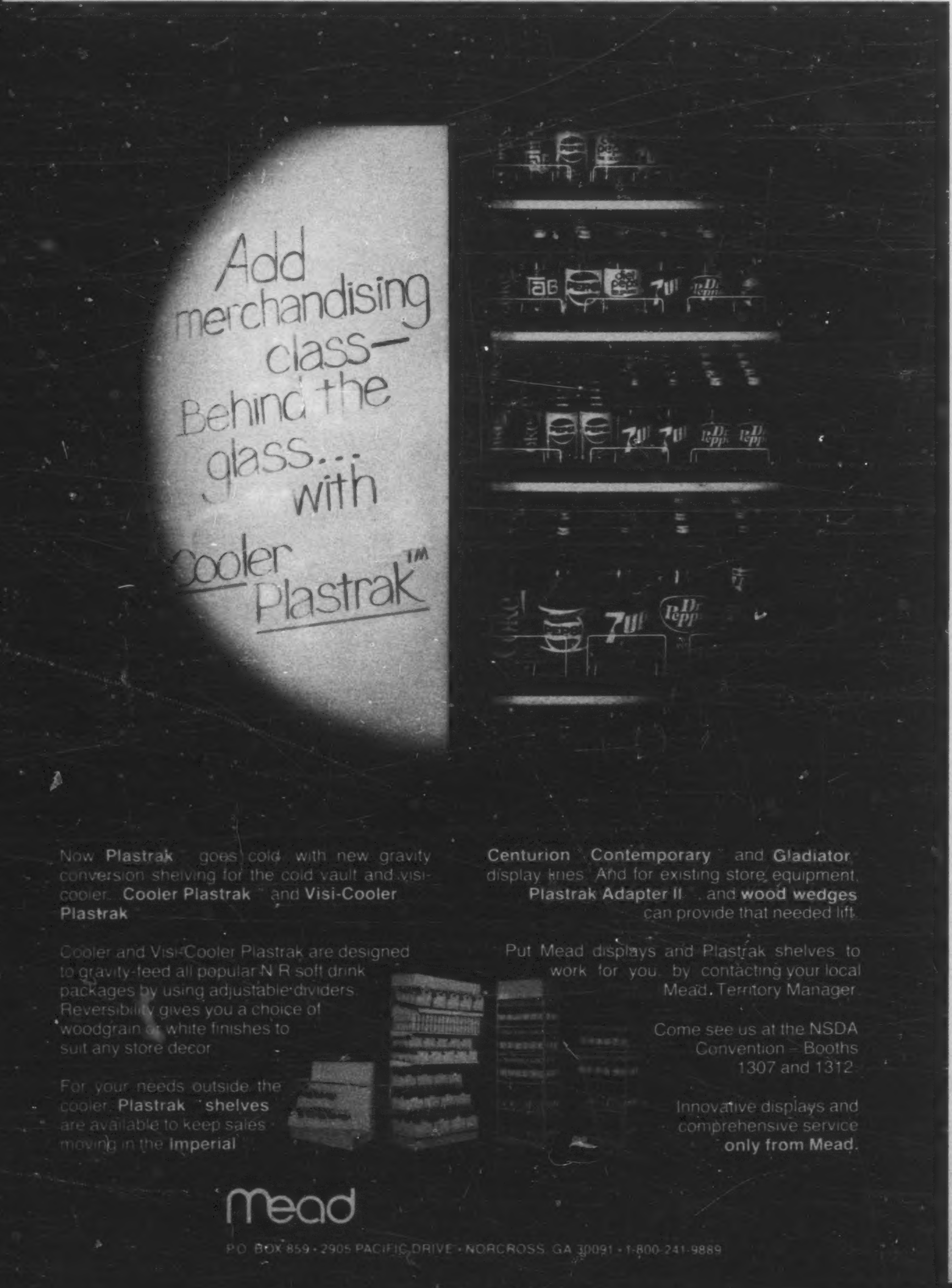
The entire electrical system and most of the controls are operated from a central control panel. On the face of the panel are process flow graphics and controllers for fermentor temperature, product purity, and steam flow to the still.

The panel has a push button and pilot light for each of the pumps. There is also a light indicating that waste is being transferred from the holding tank to a fermentor. A selector switch allows the operator to "tell" the controls which fermentor is being filled. The actual switching is done manually.

There are three alarm lights in the panel indicating high level in the holding tank and the presence of high foam in the fermentors. Internally, process sequence is achieved by a programmable controller.

The results of the CYBA System at Hygeia thus far have been excellent. As shown in Table II, (see page 157) Hygeia's average BOD loading in 1981 before the CYBA System was installed was about 725 ppm.

system is only trapping about two thirds of the targeted waste flow, since all plumbing is not complete. However, at this level the planned BOD reduction across the CYBA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System has been in excess of 90%. When the remaining waste flows are fed to the CYBA System it is fully expected that the targeted level of 125 ppm BOD will be achieved.

Currently, based on about 450 gallons a day of waste collected, the System has achieved reduction to about 300 ppm, an overall plant BOD reduction of 60%. The System is producing about eight or nine batches per month. At the full level of production, when 650 gallons per day are collected, the number of batches operated per month will be about 12. At this higher collection level there will be a corresponding increase in BOD reduction and increase in quantity of ethanol produced.

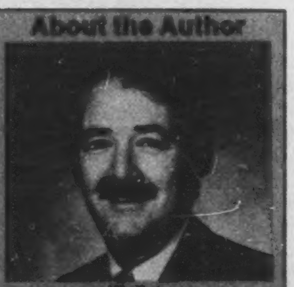
At 125 ppm BOD, the plant's discharge will be substantially below the level at which surcharges begin. Not only does this avoid costly surcharges, but it provides an additional opportunity for plant personnel to reduce waste costs further by implementing a water reduction program without exceeding the surcharge level.

Table III (see page 157) shows Hygeia intends to use the ethanol as a fuel blend for its fleet use. The value of each gallon of ethanol is provided by a savings of a gallon of gasoline and by federal and state tax credits. The total value to Hygeia of each gallon of ethanol produced is $2.10.

There are other in-house uses for the ethanol, such as neat fuel used in modified gasoline vehicles, or as a fuel supplement in diesel vehicles. It can also be used as a supplemental boiler fuel.

While there may be local markets to which the product could be sold, the relatively small volume available and the excellent in-house opportunities make this a less desirable way to go.

About the Author



Walker

John C. Walker, president and founder of Fermentec Corp., Los Gatos, CA, has worked in the field of conversion of food processing waste to ethanol and high protein animal feeds for over five years. Walker served as president of Bio-Kinetics Inc., and as president of HDI (Hydrodynamics Design Inc.)

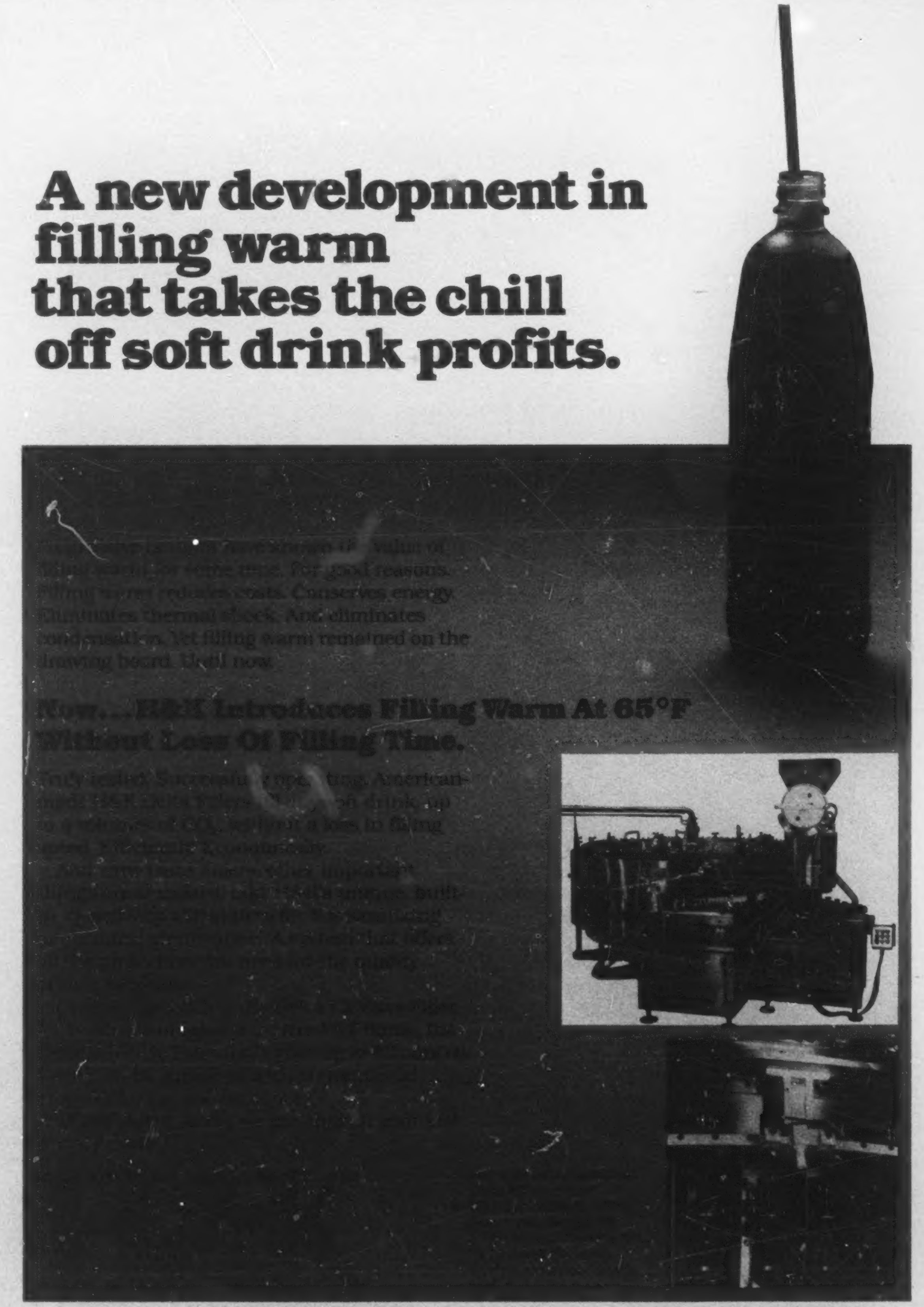
As seen in Table IV, (See page 160) the cost to operate the CYBA System is about $8,400 per year. This amounts to a cost of only about $.60 per gallon of fuel ethanol produced.

The benefits of the CYBA of fuel ethanol produced.

The benefits of the CYBA System provide about $11,00 in reduced sewage costs and an ethanol value of almost $29,400, based on the production of 14,000 gallons per year, as shown in Table V. (See page 160) After deducting the operating costs of $8,400, the system produces a net operating margin of $32,000.

The five-year depreciation schedule provides an average $30,000 of depreciation expenses. The resulting tax (based on a 50% overall tax rate) is $1,000. The net operating margin after tax, is projected at $31,000 positive cash

(Continued on page 167)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Aluminum

(Continued from page 3)

screened consumers were shown the latest versions of the container or a number of optional designs, used them and evaluated their strengths and weaknesses, all under the watchful eyes of the research people. Over thirty separate focus groups were conducted and video-taped to permit the development staff to enhance the containers' strong points and eliminate the weaknesses.

Only when the "Clicker" seemed fully refined did the consumer research program go into the next step.

Continental set out to determine whether the container had the sales appeal to gain volume for the soft drink brand using the new container at the expense of competitive brands. Continental also wanted to determine if it could gain new markets for the container at the expense of competitive packages.

Exhibit A: Brand Switching Attributed to the "Clicker" Aluminum Bottle

	Share loss for brand competing w/Aluminum Bottle		
Cities	Pre-Trial Share	Post-Trial Share	Switched to Clicker
Los Angeles	61%	34%	27%
Miami	49	28	21
Cherry Hill, NJ	44	26	18
Chicago	30	14	16
Gainesville, OH	35	29	6

For this kind of testing, large numbers of consumers are needed to provide statistical significance, and the test format must be as close to the real brand selection process as conditions permit.

"We wanted consumers to tell us how they would react when they saw the container on the shelf rather than just what they like or dislike", explained Fenton. "Measures of behavior are more important at this stage than measures of attitude."

By showing consumers one brand in the new package in a full display of the soft drink section of a laboratory supermarket, the test developed the desired behavioral measures.

"By comparing consumers' normal brand and package selections to their planned behavior when the aluminum bottle is added to the mix, we got a good idea of its potential impact. We were fortunate to have a history of new package tests using this format (including both 2-L and 1.5-L PET), so we could determine how well we were doing compared to these earlier packages at a similar stage of development. The aluminum bottle got the best response of any package ever tested with this technique."

When the aluminum bottle was added to the package mix of one major cola, the competing brand inevitably lost substantial share. (See exhibit A).

The reasons for the brand switching are evident when we examined consumer preference between the Aluminum Bottle and competing packages. The Clicker, scored consumer preferences over Plasti-Shield returnable 16-oz. and .5-L PET.

Does all of this testing activity guarantee a successful new product? Task force leader Gresham says "no". We're going to continue to get new inputs from the consumer as we proceed with test markets and commercial introductions. To date, we have been gratified to discover that our customers' consumer testing is getting the same kind of good response our own people have found, but you can't entirely eliminate the risk of marketing failure. We feel we have done a good, thorough job within the limitations of testing techniques. We have maximized our chances by investment in research and hard work, but there is no such thing as a risk free innovation."

For more information on **Continental's Clicker Aluminum Bottle,** circle 350 on the reader service card.

Ethanol

(Continued from page 163)

flow annually.

The relation of this cash flow to investment, as shown in Table VI, (See page 160) is that the System provides about a 3.6 year payback. IRR is approximately 24%. These returns are attractive, but are even more exceptional when compared to the alternate means of waste treatment.

In summary, the Fermentec CYBA System at Hygeia substantially solves the waste treatment problem while simultaneously producing a valuable fuel grade ethanol.

First, the overall plant BOD can be reduced by 80% - 85%, based on a collection system that collects 90% of all sugar bearing wastes, and the CYBA System reducing the BOD of those wastes by 90%.

Secondly, the CYBA System produces 190 proof ethanol. While its primary use is to make a blended fuel for fleet use, this product may find other uses in-house as well.

Finally, the investment is sound financially. The 24% IRR is provided by sewer costs savings, fuel costs savings, and substantial initial and ongoing tax credits.

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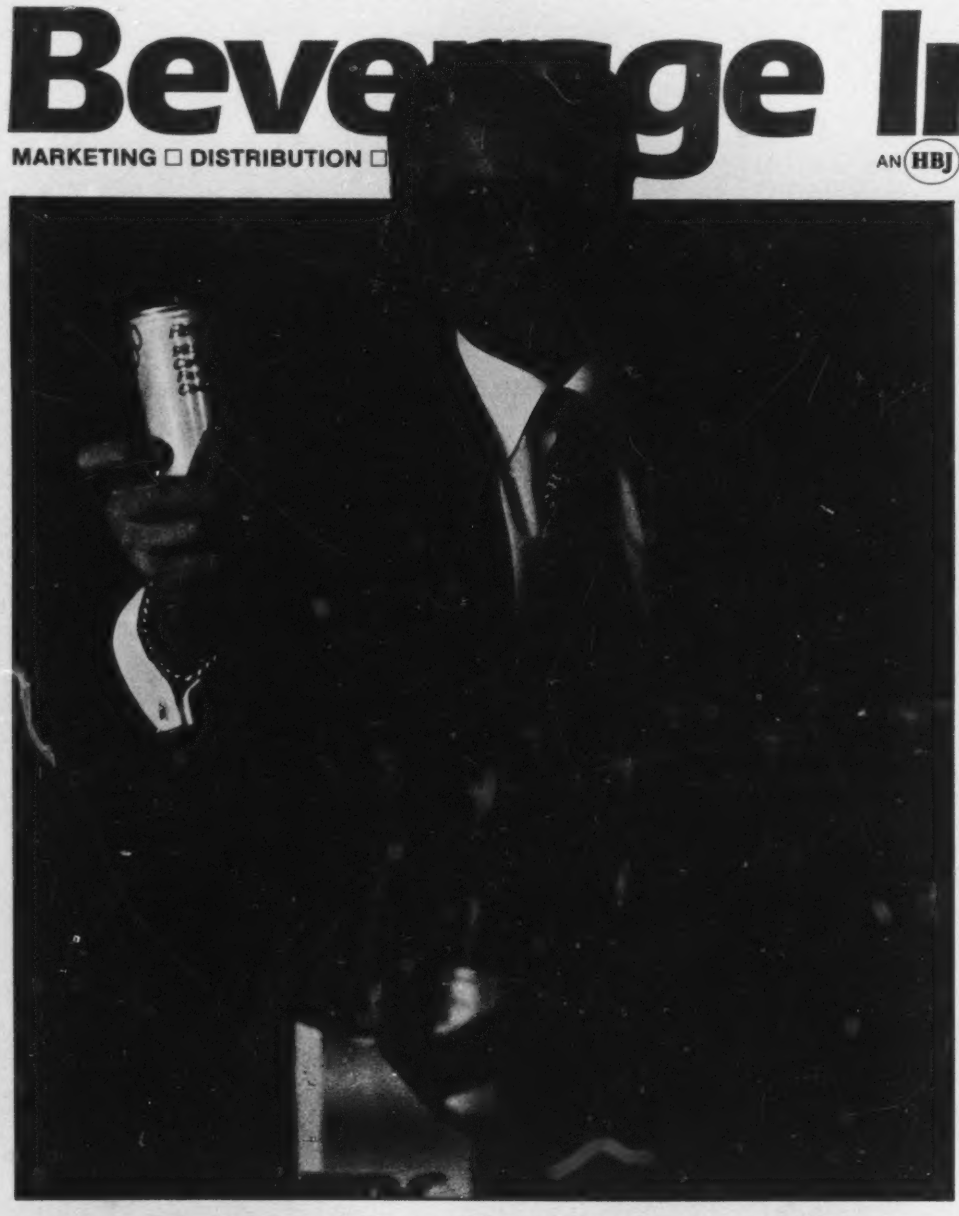


Voters turn back four mandatory deposit issues

By Holly Klokis
Managing Editor

SPECIAL REPORT—Victories over deposit legislation last month in California, Washington, Arizona and Colorado could have won the beverage industry a reprieve over national deposit legislation. At least that is the position of the National Soft Drink Association and industry sources contacted by Beverage Industry in the wake of the Nov. 2 elections.

California, long considered crucial to stopping the domino effect of state-by-state enforcement of forced deposits, waged a successful $6 million campaign against the measure that resulted in 56% of the voters saying "No" to Proposition 11. Colorado, a state that already has extensive recycling programs, had the largest majority of voters against bottle bill legislation, with 76% opposed, 24% in favor. Washington, a Model

(Continued on page 8)

USBA, NABM clash over Mexican beers

WASHINGTON, DC — The United States Brewers Association (USBA) and the Mexican National Association of Beer Manufacturers (NABM) are at odds over a USBA petition to the U.S. government seeking graduation of Mexican beer imports from duty-free treatment under the Generalized System of Preferences (GSP).

Early in October, in testimony before the GSP Subcommittee of the U.S. Trade Representative's Office here, Rep. Richard Gephardt

(Continued on page 6)

NBWA elects Weinstein at annual meeting

BALTIMORE, MD—Laurence A. Weinstein became president of the National Beer Wholesalers' Association of America, Inc. (NBWA), at the annual meeting of the organization's board of directors, held here recently.

Weinstein, who is presi-

(Continued on page 10)

BI Week

• Seven-Up Bottlers have until Nov. 23 to accept or reject the franchisors' "take it or leave it" offer on Like. Seven-Up willing to offer nonexclusive agreement to combination Cola/ Seven-Up bottlers. Primary target group is Royal Crown bottlers. Fred Adamany, RC president, taking strong position, will not compromise on his firms' exclusive franchise.

(Continued on page 31)

Fred M. Adamany, RC President, named BI's 1982 Man of the Year

By Paul E. Mullins
Editor

ROLLING MEADOWS, IL—Fred M. Adamany, president of the Royal Crown Cola Co., located here, can look back on a year that has seen his firm score a major coup with the successful national rollout of RC-100, the industry's first decaffeinated product; the resurgence of the Royal Crown bottler force; the debut of RC Decaffeinated (currently being repackaged and repositioned as regular RC-100) and which has been

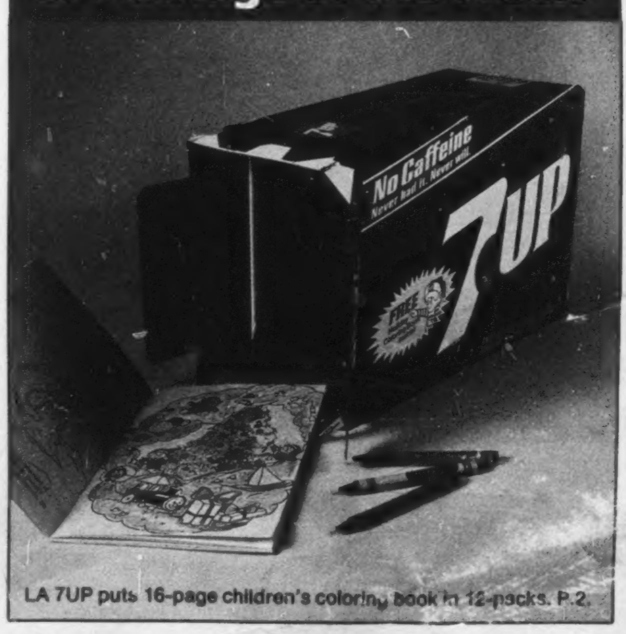
(Continued on page 16)

Nielsen study checks rate of sodium labeling

WASHINGTON, DC — A.C. Nielsen is conducting sodium labeling surveys on soft drinks and other foods to help the Food and Drug Adminis-

(Continued on page 20)

BI Package of the Week



LA 7UP puts 16-page children's coloring book in 12-packs. P.2.

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SOFT DRINKS ☐ BEER ☐ BOTTLED WATER ☐ WINE ☐ POWDERS ☐ JUICES ☐ SPIRITS DECEMBER 3, 1982

Beverage Industry

MARKETING ☐ DISTRIBUTION ☐ TECHNOLOGY

AN HBJ PUBLICATION

Bottled water popularity should double by 1990

SPECIAL REPORT – For the rest of the '80s, the domestic bottled water market should grow by leaps and bounds, much as it has for the past six years. Total U.S. bottled water consumption is expected to hit 1.8 billion gallons in 1990, more than double current use, according to newly-compiled figures from Beverage Marketing Corp., New York City.

Domestic producers should account for almost all of that gallonage, says BMC. Perrier, which owns Poland Spring (ME), Oasis (TX) and Calistoga (CA) bottled water companies, generally agrees with BMC's 1990 projections, but believes imports could account for more than BMC's estimates (35 million gallons).

Kim Jeffery, vp, sales at Perrier, says his company expects a 50% rise in total U.S. bottled water sales by 1985. Assuming BMC's figures, 1982 sales should be 834.2 million gallons, means the bottled water market will top the billion gallon level in three years.

The upward trend is especially strong for still water (non-carbonated), says Jeffery. Still water is sold mainly in one-half and one gallon plastic containers in most of the country. Although, in California, the bulk of still water sales is home delivery of 5-gallon containers.

Perrier says that in the six major markets for still water: New York, Miami, San Francisco, Los Angeles, Houston and Boston, sales

(Continued on page 13)

Estimated 1981 domestic water sales by company

Company	Sales (millions $)	Share
Foremost/McKesson	94.5	15.2%
Beatrice Foods Co.	92.0	14.8
Hinckley Schmitt	21.0	3.4
Nestle Enterprises	19.0	3.1
Beverage Management Inc.	17.6	2.8
Sierra	12.0	1.9
Mountain Valley Water Co.	10.0	1.6
Glenwood/Inglewood	10.0	1.6
Poland Spring Co.	10.0	1.6
Oasis Water Co.	5.0	0.8
Belmont	4.5	0.7
Calistoga	4.0	0.6
Artesea Waters Inc.	3.5	0.6
Kentwood	3.1	0.5
Syfo Water Co.	3.0	0.5
Saratoga Springs	3.0	0.5
Wometco Enterprises	3.0	0.5
Sub-total	315.2	50.7
All others	306.1	49.3
Grand Total	621.3	100%

Source: Beverage Marketing Corporation; Beverage Data Bank.

Copyright: Beverage Industry, December 3, 1982

Sun Valley test markets low-sodium spring water

SUN VALLEY, ID—After a year of research and development, Sun Valley Mineral Water, Inc., is test-marketing its low-sodium mineral water in Idaho and Washington.

Drawn from mountains overlooking the popular ski resort, the Idaho spring water is lightly carbonated to add "hydrovessence," according to Paul Chichester, vp-marketing. He says the product, with 1 mg. sodium per 100 gr., will be positioned to compete with imported mineral waters.

Half-Liter bottles have custom-colored blue base and closures symbolic of chilled mineral water.

Several bottlers are seeking franchises or bottling contracts, and Sun Valley plans expansion soon throughout the western states. A Southern California food broker plans to test market Sun Valley in his area, and at least one Las Vegas casino is investigating using the water as a mixer.

Sun Valley is currently being packaged in .5-L plastic bottles from Owens-Illinois with EVA-lined Scor-Top closures and laminated paper-foil labels. A non-carbonated version will be sold in 2-L plastic containers, and both carbonated and non-carbonated waters will be presented in 10 oz. bottles sold in the O-I Easy Dozen Contour-Pak.

The Idaho company is also exploring the development of a "rehydration" atomizer, filled with mountain water, to compete with the European Evian face care product.

- For more information on **Sun Valley Mineral Water,** circle no. 170.

Green Spot to market aseptic drinks in U.S.

CLAREMONT, CA—Green Spot, a widely-known brand name in Southeast Asia, should soon become familiar to many Americans.

The Green Spot Co., a South Pasadena wholesaler of fruit essences and extracts since 1934, has long been supplying a network of its own bottlers in Southeast Asia. Based on the strength of the brand name there, the company introduced a line of fruit drinks in aseptic packaging and positioned it for the soft drink segment of the beverage market. Today, those aseptic drinks are sold right along side soft drinks in retail stores.

Green Spot Packaging, Inc., a newly formed subsidiary of the Green Spot Co., recently completed structural work on a new 60,000 sq. ft. aseptic packaging facility here, making it the largest aseptic packaging operation of its kind in the West. The new facility, which is planned exclusively for lines marketed under the Green Spot brand, marks the first time since the early 1950's that Green Spot will compete directly for a share of the soft drink market under its own brand in the U.S.

According to a spokesperson for the company, the plant will soon begin running four 250 ml Brik Pak aseptic units, with first shipments planned for this month or next to Southern California. To start, three flavors will be produced, orange drink, fruit punch and grape, with other products planned for the future to extend the line.

If all goes well, the company is considering going national using a franchise system, the spokesperson said.

A Green Spot advertising campaign, now in production, is scheduled to break late this year or in early 1983.

- For more information on **Brik Pak,** circle no. 171 on reader service card; for **Green Spot,** circle no. 172.

5

Contents

Fred M. Adamany BI's Man of Year

Fred M. Adamany, president of the Royal Crown Cola Co. of Rolling Meadows, IL, can reflect on a great year that is closing with the announcement of his selection as **Beverage Industry's** Man of the Year.

He's been a major force in the revitalizing of the RC franchise system and he's seen RC score big with the successful national introduction of RC 100, the industry's first decaffeinated product, the resurgence of the Royal Crown bottling force and the debut of RC Decaffeinated.

For the whole story on our Man of the Year, see **page 1.**

7 UP offers kids free coloring book

Children in southern California are getting a free holiday coloring, song and story book with the purchase of a 12-can pack of 7-Up.

The 16-page book is believed to be the largest item ever pre-packed in a soft drink carrier. The aim is to give primary customers an extra incentive to buy the package and create a lasting impression. The book also features a discount coupon and retails between $3.99 and $4.29. The promotion, which went on the market in early October, will continue through the end of the year.

For more information, on this novel promotion idea, see **page 22.**

Growth to continue for bottled water

The domestic bottled water industry is expected to continue its leaps-and-bounds growth rate with consumption expected to more than double by 1990.

The figures, compiled by the Beverage Marketing Corp., show consumption is expected to hit 1.8 billion gallons in the U.S. by 1990. The upward trend is especially strong for still or noncarbonated water. Sources attribute these strong sales of still water to dissatisfaction with municipal water. For more facts and figures on the bottled water industry, see **page 4.**

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ALCOA

U.S. bottled water market gallonage* by type 1976-1982

	Domestic water				
	Bulk/sparkling	Club/seltzer	Total	Total imports	Total bottled water
1976	154.2	51.6	305.8	1.2	307.0
1977	278.7	53.1	331.8	3.3	335.1
1978	413.4	53.4	466.8	13.4	480.2
1979	476.8	59.6	536.4	28.1	564.5
1980	537.3	79.5	616.8	11.4	628.2
1981	621.3	87.4	708.7	11.6	720.3
1982(E)	723.1	99.0	822.1	12.1	834.2

*Millions of gallons.

Source: Beverage Marketing Corporation; Beverage Data Bank; Bureau of the Census; John Maxwell, Lehman Bros.; Kuhn Loeb Research.

Copyright: Beverage Industry, December 3, 1982

1981 U.S. bottled water market share by region

	Domestics Bulk/Sparkling	Imports Mineral
New England	2.1%	10.4%
Mid Atlantic	12.7	31.9
Great Lakes	9.3	12.3
Plains	1.8	1.8
Southeast	16.5	16.0
Southwest	9.1	5.1
Rocky Mountain	1.1	1.0
Far West	47.4	21.5
Total	100.0%	100.0%

Source: Beverage Marketing Corporation; Beverage Data Bank.

Copyright: Beverage Industry, December 3, 1982

Estimated domestic bottled water sales by brand 1981

Company	Brand	Brand sales (millions $)
Foremost/McKesson	**Sparkletts**	65.0
	Alhambra	17.0
	Crystal Btl.	10.0
	Hygeia	2.5
Beatrice Foods Co.	**Arrowhead**	60.0
	Great Bear	20.0
	Ozarka	12.0
Hinckley Schmitt	**Hinckley Schmitt**	21.0
Nestle Enterprises	**Deer Park**	19.0
Beverage Management Inc.	**Crystal Water**	8.7
	Polar Water	6.1
	Perfection	2.8
Sierra	**Sierra Spring**	12.0
Mountain Valley Water Co.	**Mountain Valley**	10.0
Glenwood/Inglewood	**Glenwood/Inglewood**	10.0
Poland Spring Co.	**Poland Mineral**	10.0
Oasis Water Co.	**Oasis Drinking Water**	5.0
Belmont	**Belmont**	4.5
Calistoga	**Calistoga**	4.0
Artesia Waters Inc.	**Artesia Mineral Water**	3.5
Kentwood	**Kentwood**	3.1
Syfo	**Syfo Bottled Water**	3.0
Wometco Enterprises	**Deep Rock**	3.0
Saratoga Springs	**Saratoga Vichy**	3.0

Source: Beverage Marketing Corporation; Beverage Data Bank

Copyright: Beverage Industry, December 3, 1982

Bottled water

(Continued from page 4)

have grown an average 46% in 1982, compared to 1981. Jeffery calls that growth "phenomenal."

He and other sources attribute these strong sales of still water to consumer dissatisfaction with local municipal water quality and a subsequent desire for "natural," "healthful" drinking water.

Even though sparkling waters are selling well and should continue to, according to BMC numbers, Jeffery says, "our strongest growth is in the one-gallon container still water business."

BMC lumps bulk (still) and sparkling waters together in its bottled water sales figures for 1976 through 1982. Likewise, club soda and seltzer water are grouped together. Between '76 and '82, total bottled water sales in the U.S. have risen two-and-a-half times to 834.2 million gallons. Domestic companies' bulk/sparkling waters have gone from 254.2 million gallons in '76 to 723.1 million this year, and club/seltzer water sales have doubled to 99.0 million gallons.

Domestically produced waters have risen steadily, but the imports' sales have been in a boom and bust cycle. Between '76 and '79, sales of imported bottled waters (mostly sparkling) ballooned from 1.2 million gallons to 28.1 million. But, in 1980, sales dropped substantially, to 11.4 million gallons.

Since then, imports have inched up to 12.1 million gallons sold this year, according to BMC's estimate. A few sources at imported bottled water companies dispute BMC's numbers on sales since 1980. They say the numbers don't accurately represent inventory depletions. Inventories were built up enormously during the boom period of '76 to '79.

Also, in that period, bottled water companies' advertising expenses zoomed to $10.7 million. Since 1979, however, advertising expenditures have dropped off considerably. The reason for this, according to sources, is industry consolidation. A prime example is Perrier's three acquisitions over the past two years. Jeffery says Perrier "saw lots of competition until 1980 from many companies (foreign and domestic)." But, since 1980, several companies have either dropped out or

(Continued on page 20)

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Circle no. 103 on Reader Service card

Bottled water

(Continued from page 13)

have been acquired.

In any case, Foremost/McKesson, with its four brands, is the no. 1 bottled water company in 1981 with $94.5 million in sales and a 15.2% market share. Beatrice Foods Co. is no. 2 with $92 million in sales and a 14.8% share of the U.S. market. Far behind the two leaders are Hinckley Schmitt ($21 million), Nestle Enterprises ($19 million) and Beverage Management Inc. ($17.6 million).

The rest of the companies listed by BMC held less than 2% of the market in 1981.

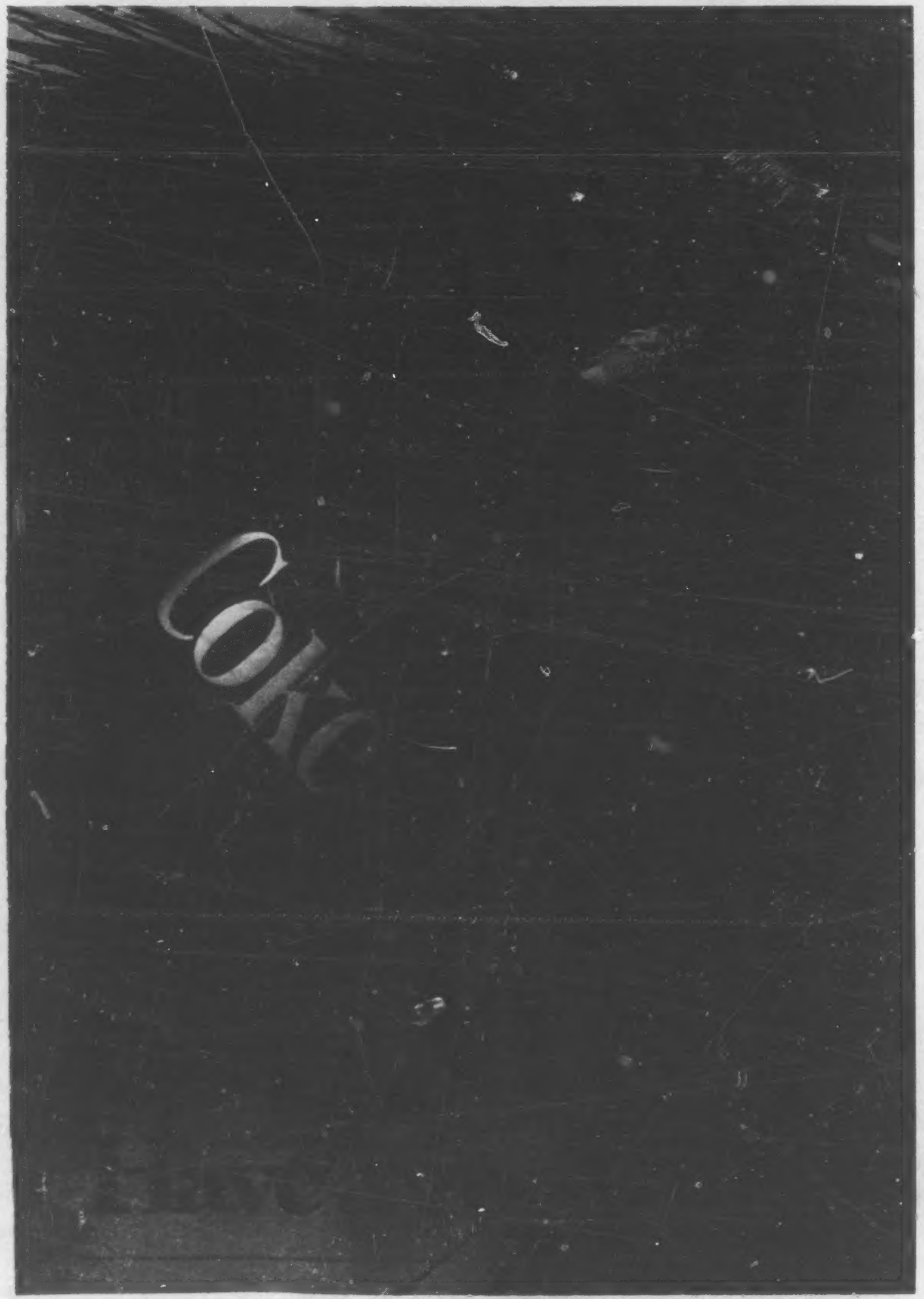
Individual brand leaders in 1981, according to BMC, are Sparkletts (Foremost/McKesson) and Arrowhead (Beatrice), which sold $65 million and $60 million respectively. Hinckley Schmitt brand is no. 3 with $21 million and Beatrice's Great Bear is no. 4 with $20 million.

According to BMC, people in the Far West drink far more bottled water than those in any other region of the U.S. Far Westerners, mostly in Los Angeles and San Francisco, account for 47.4% of domestically produced bulk and sparkling waters; they also account for 21.5% of imported mineral water consumption.

Mineral water imports have a larger following in the Mid Atlantic region, mainly New York City. The 16% shares in the Southeast are almost entirely accounted for by Miami, FL. In the New England region, Boston accounts for almost all of the imported mineral water share. Areas with the least bottled water consumption are the Rocky Mountain states and the Plains states.

Total U.S. bottled water consumption, while growing rapidly, nonetheless has a long way to go to challenge per capita consumption of soft drinks, coffee, beer, milk or even juices. Per capita consumption of bottled waters in 1981 was less than two gallons, lowest of any commercial beverage.

It is generally agreed, however, that Americans are switching their preference from commercial beverages that are cold, carbonated, and high-calorie to drinks that are cold, not necessarily carbonated and definitely low-calorie.



Circle no. 107 on Reader Service card

Labeling

(Continued from page 1)

tration (FDA) determine the rate such labeling is entering the marketplace.

The testing group conducted overall nutrition labeling surveys for the agency in 1978, 1980 and 1982. However, this survey addresses only sodium declaration rather than all information appearing on the food label, said Dr. Ray Schucker, staff advisor with FDA's Office of the Associate Director for Nutrition and Food Science.

The study, to be completed next June, will provide FDA with data on sales and volume movement of all brands of packaged foods handled through warehouse systems of a national sample of supermarkets. Nielsen is surveying markets in Los Angeles, Chicago and New York, visiting two chain stores and one independent store to record sodium declaration data.

The survey results "might determine whether Congress introduces legislation requiring mandatory sodium labeling on all foods," Dr. Schucker explained.

C5250-2
1/25/83

SOFT DRINKS ☐ BEER ☐ BOTTLED WATER ☐ WINE ☐ POWDERS ☐ JUICES ☐ SPIRITS

DECEMBER 31, 1982

Beverage Industry

MARKETING ☐ DISTRIBUTION ☐ TECHNOLOGY

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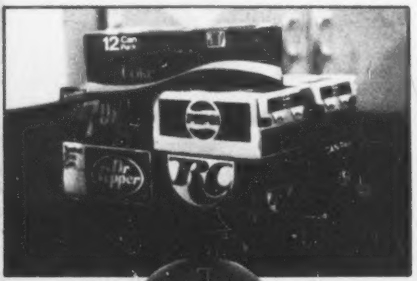

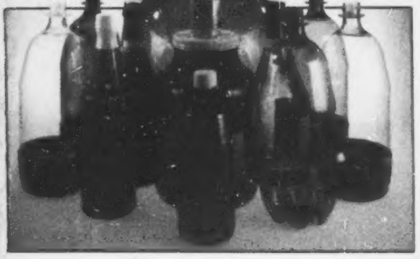

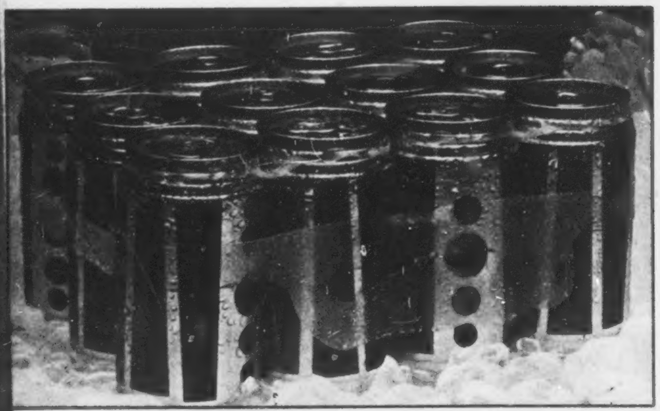

Among debuts: Just five of the new products introduced at this year's meeting are: upper left, Manville Forest Products new paperboard tray holds two 12-packs; center, left, full beverage array of PET containers were exhibited by Eastman Chemicals (containers were supplied by several different bottle makers); lower left, Hi-Cone's new low-cost 12-pack band; above, new stackable triple neck cans from Reynolds and upper right, stackable triple neck cans from Continental.

New products proliferate at NSDA Atlanta expo

ATLANTA, GA—Approximately 14,700 soft drink executives, wives, exhibitors and guests were on hand here, Nov. 30-Dec. 2 for this year's NSDA convention and International Beverage Congress and expo.

The total is approximately 300 more than the last record-setting Atlanta meeting four years ago. (*For late-breaking news from this year's NSDA convention, see newsletter starting on page 13.*)

Winemakers confused over sodium rules

WASHINGTON, DC—From the wine industry's perspective, it appears that the government's right hand doesn't know what the left hand is doing when regulating the use of sodium bisulfite and sodium metabisulfite as wine treatment materials.

The confusion stems from the Bureau of Alcohol, Tobacco and Firearms (ATF) proposed deletion of the use of these compounds last June, and the Food and Drug Administration's (FDA) subsequent proposed affirmation of these substances' Generally Recognized As Safe (GRAS) status.

ATF's proposed elimination of these and other sodium compounds used in wine processing was in "response to the general concern about reducing sodium in the diet," explained Robert Daugherty, Chief of ATF's rulings branch.

But FDA's published list of substances to be affirmed as GRAS was based on existing ATF regulations, which currently provide for sodium bisulfite and metabisulfite use, added Michael Breen, a rulings branch specialist. And FDA "couldn't issue a proposal based on specula-

(Continued on page 32)

BI Week

• Coca-Cola Co. has filed suit to stop the Procter & Gamble acquisition of Coca-Cola Mideast, Lexington, KY. Coke lawyers claimed that if the reported $60 million deal goes through, P&G will have gained unauthorized access to confidential information. In mid-December, Coca-Cola obtained a temporary restraining order and appeared to be set to pursue the matter promptly in the court. Informed sources told Beverage Industry that this appeared to be the first time the company had ever contested a planned ac-

(Continued on page 36)

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STATISTICAL REF INDEX
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WASHINGTON DC 20014

Officials ask broadcast ban on liquor ads

WASHINGTON, DC—Several former government officials would like the current voluntary broadcast ban on liquor advertising extended to beer and wine.

John DeLuca and Dr. Ernest Noble, former directors of the National Institute on Alcohol Abuse and Alcoholism, former Sen. William Hathaway and former Federal Communication Commissioner Nicholas Johnson wrote several key Senate and House Committee chairmen involved with health and

(Continued on page 31)

BI Package of the Week

Pepper Free
Sugar Free
Caffeine Free

Dr Pepper rolling out Pepper Free in variety of packages, p. 28.

Contents

BI newsletter covers convention

Coverage of the NSDA convention in Atlanta, Nov. 30 to Dec. 2, is located in a special **Beverage Industry** newsletter. The newsletter features news on every company's primary exhibits, including those products which were just being introduced at the show.

Route accounting systems for bottlers, quality control machines, recycling, trucks, company uniforms and other related news are featured. If you want to find out more about the convention, whether you attended or not, see **page 13.**

Ex-officials want liquor ad ban

Several former government officials would like the current voluntary broadcast ban on liquor advertising extended to beer and wine.

Two former directors of the National Institute on Alcohol Abuse and Alcoholism, one former U.S. senator and a former commissioner of the FCC wrote several House and Senate committee chairman and urged that beer and wine advertising be reviewed for possible broadcast banning.

The men are particularly concerned about the estimated increase in drunk driving and young people's exposure to an "enormous amount" of television advertising.

For more on the push to ban beer and wine advertising, see **page 1.**

Pepper Free to be launched in 60 mkts.

Dr Pepper Co. of Dallas has selected about 60 markets in the U.S. to launch its Pepper Free, a new caffeine-free soft drink. Rollout is scheduled for next month, according to Dr Pepper USA president Bob Hannigan.

The selected markets include locations primarily in the western and southwestern states of Texas, Oklahoma, California, Arizona and Nevada.

After two years in research Dr Pepper decided to target the new product at a consumer group similar to the sugar free users. For more information, see **page 28.**

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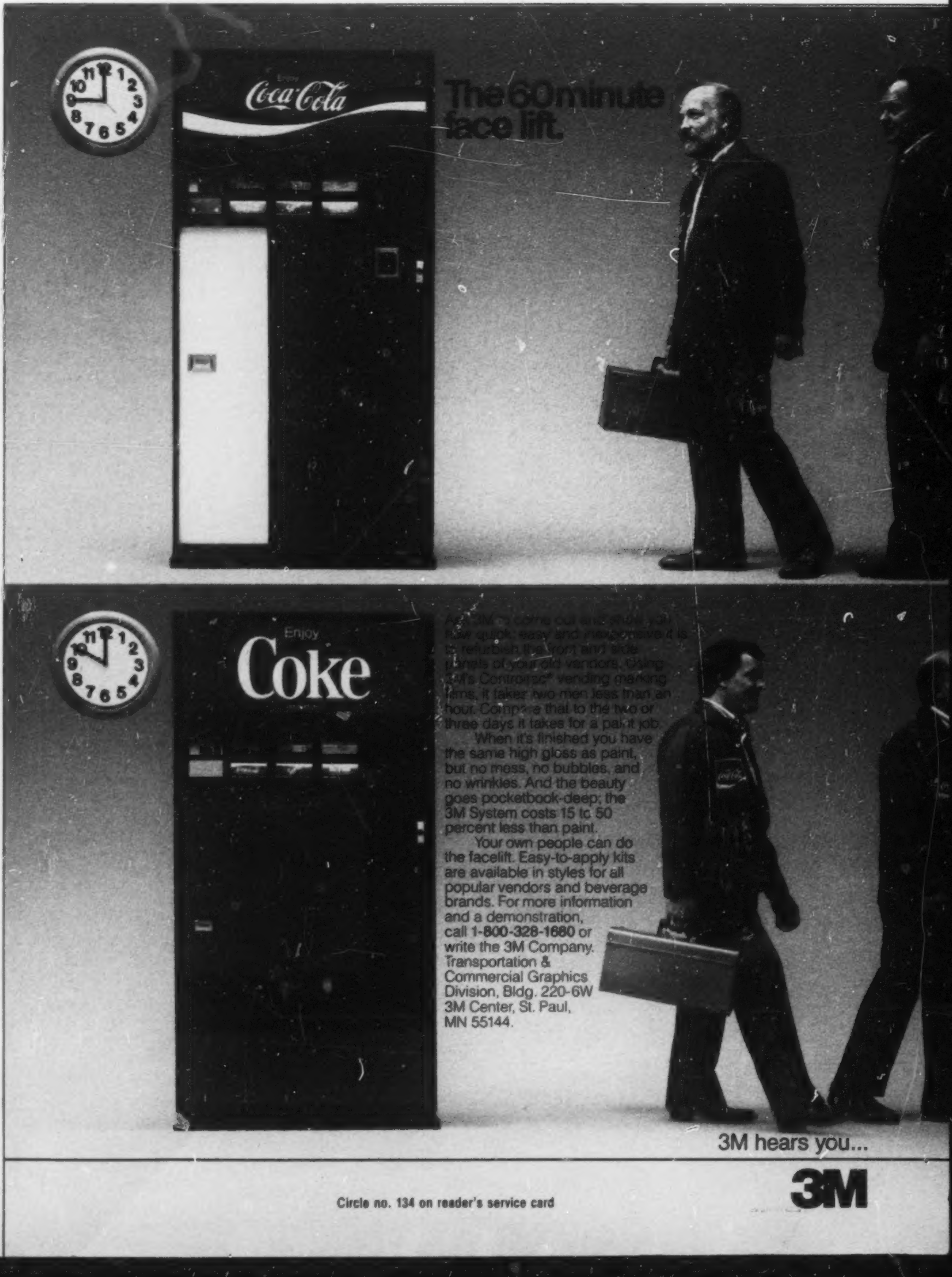

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Circle no. 134 on reader's service card

Estimated shipments for the major brewers

(millions of barrels)

	1978	1979	1980	1981	1982E
Anheuser-Busch					
Budweiser	27.5	30.6	34.3	38.2	39.8
Budweiser Light	—	—	—	0.1	3.0
Total Bud Brands	27.5	30.6	34.3	38.3	42.8
Michelob	7.5	8.3	8.3	8.3	8.3
Michelob Light	0.8	1.7	2.1	2.4	2.6
Total Michelob Brands	8.3	10.0	10.4	10.7	10.9
Natural Light	2.4	2.6	2.4	2.2	2.0
Busch	3.4	3.0	3.1	3.3	3.6
Total Nat. Lt. & Busch	5.8	5.6	5.5	5.6	5.6
Total Anheuser-Busch	41.6	46.2	50.2	54.5	59.3%
Miller					
High Life	20.8	23.3	23.1	23.1	21.3
Lite	9.4	11.5	13.0	15.5	17.5
Lowenbrau	1.1	1.0	1.2	1.5	1.6
Other	—	—	—	0.2	0.3
Total Miller	31.3	35.8	37.3	40.3	40.7
Stroh (pro forma)[1]	29.8	26.3	24.8	23.5	22.8
Heileman	7.1	11.2	13.3	14.0	14.5
Pabst	15.4	15.1	15.1	13.5	12.2
Coors	12.6	12.9	13.8	13.3	11.8
Total 4 Brewers	64.9	65.5	67.0	64.3	61.3
All Other Domestic	27.7	23.3	21.8	20.5	19.2
Imports	3.5	4.4	4.7	5.5	5.8
Total Industry	169.0	175.2	181.0	185.1	186.3

n/m—not meaningful

[1] —Stroh is shown on a pro-forma basis for Schaefer and Schlitz which were acquired during 1981 and 1982, respectively.

Source: Corporate reports and Bernstein estimates

Copyright: Beverage Industry December 31, 1982

Estimated share of market for major brewers

	1978	1979	1980	1981	1982E
Anheuser-Busch					
Budweiser	16.3%	17.5%	19.0%	20.6%	21.4%
Budweiser Light	—	—	—	0.1	1.6
Total Bud Brands	16.3%	17.5%	19.0%	20.7%	23.0%
Michelob	4.4%	4.7%	4.6%	4.5%	4.5%
Michelob Light	—	1.0	1.2	1.3	1.4
Total Michelob Brands	4.4%	5.7%	5.7%	5.8%	5.9%
Natural Light	1.4%	1.5%	1.3%	1.2%	1.1%
Busch	2.0	1.7	1.7	1.8	1.9
Total Nat. Lt. & Busch	3.4%	3.2%	3.0%	3.0%	3.0%
Total Anheuser-Busch	24.6%	26.4%	27.7%	29.4%	31.8%
Miller					
High Life	12.3%	13.3%	12.8%	12.5%	11.4%
Lite	5.6	6.6	7.2	8.4	9.4
Lowenbrau	0.7	0.6	0.7	0.8	0.9
Other	—	—	—	0.1	0.2
Total Miller	18.5%	20.4%	20.6%	21.8%	21.8%
Stroh (pro forma)[1]	17.6%	15.0%	13.7%	12.7%	12.2%
Heileman	4.2	6.4	7.3	7.6	7.8
Pabst	9.1	8.6	8.3	7.3	6.5
Coors	7.5	7.4	7.6	7.2	6.3
Total 4 Brewers	38.4%	37.4%	37.0%	34.7%	32.9%
All Other Domestic	16.4%	13.3%	12.0%	11.1%	10.3%
Imports	2.1%	2.5%	2.6%	3.0%	3.1%
Total Industry	100.0%	100.0%	100.0%	100.0%	100.0%

n/m—not meaningful

[1] —Stroh is shown on a pro-forma basis for Schaefer and Schlitz which were acquired during 1981 and 1982, respectively.

Source: Corporate reports and Bernstein estimates

Copyright: Beverage Industry December 31, 1982

Miller's volume declines may delay price increase

NEW YORK — The acceleration of Miller High Life's volume declines may force Philip Morris to delay anticipated price increases in early 1983. Such a move would have far reaching ramifications in the industry, comments Emanuel Goldman, industry analyst with Sanford C. Bernstein & Co., located here.

Goldman's most recent report in the beer industry pinpoints this as one of two recent developments which will affect industry profitability. "It is by far the most significant one," he says.

The second is the probability that packaging costs will also increase in view of declining interest rates. "Weakness on the pricing front, accompanied by pressure from a major cost item — like packaging — is just what downward earnings surprises frequently are made of," he writes.

Total industry shipments, according to Goldman, will be 186.3 million, up 1% in 1982.

Goldman projects that Miller High Life volume will be 21.3 million barrels, down 8%. Although Lite gains are estimated to continue in 1982, up 13% to 17.5 million barrels, its increases will not make up for High Life's losses.

Factoring in an 8% gain for Lowenbrau, Goldman estimates that Miller's total shipments will be up.

With a 4% gain for Budweiser, an 8% gain for Michelob Light and an 8% increase for Busch, Anheuser-Busch's total shipments should be up 9% in 1982, says Goldman.

Budweiser Light, in its debut year is estimated to sell some 1.6 million barrels.

A-B's total market share should be 31.8% by year's end, up 2.4 percentage points over 1981. Miller's market share has been estimated at 21.8%.

Heileman will be the only brewery in the "second tier" group to show market share gains in 1982 he estimates. Its market share has been estimated to go from 7.8% from 7.6% in '81.

The second tier — Stroh, Heileman, Pabst and Coors — will control 32.9% of total industry volume by year's end, the analyst predicts. The group's share is down from 1981's 34.7%.

Ohio import sales aided by drinking age change

COLUMBUS, OH—The Canadian invasion into the Ohio beer market may be getting a boost with the change of the drinking age here from 18 to 19 on October 1.

While eliminating the sales of 3.2% beer, the change allows 19 and 20-year-olds to drink high power beer and alcohol. At least one major distributor feels this will aid in the sale of imported beers, which continue to rise significantly.

Latest figures show import sales rose 14.3% nationally from 1980 to '81, accounting for about 3% of the total beer industry.

"There is a good feel for imports now, especially in Ohio," said Gary Robins, president of Hi-State Beverage Co., "Now, with the lowering of the drinking age to 19 we expect to see more students buying imports."

Students have been unable to purchase imports, he said, because of their high alcohol content.

While Hi-State's distribution area covers eight counties in Central Ohio, a large portion of its sales are in Columbus, home of mammoth Ohio State University. Student sales are an important factor in Hi-State's market.

expanded product line

Hi-State recently added Labatt's beer and Labatt's 50 Ale to its product line and expects sales of Canada's top beer to be good. Although Hi-State has carried some Mexican imports, Robins said the addition of Labatt rounds out his product line.

Many Ohioans travel to Canada, Robins added,and are familiar with the Labatt line. Even though Molson is currently the top import in his distribution area, Robins expects Labatt to take a substantial share of the burgeoning market.

Hi-State Beverage is one of the top 50 beer distributors by volume in the United States. All of its products are distributed from a newly-built 116,000 sq. ft. controlled-temperature warehouse and office facility.

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SOFT DRINKS ☐ BEER ☐ BOTTLED WATER ☐ WINE ☐ POWDERS ☐ JUICES ☐ SPIRITS JANUARY 14, 1983

Beverage Industry

MARKETING ☐ DISTRIBUTION ☐ TECHNOLOGY

AN HBJ PUBLICATION

Alcohol ingredients published by consumers

WASHINGTON, DC — Since the government does not require alcohol ingredient labeling, a consumer group has taken matters into its own hands and published a book listing many of the ingredients found in several types and brands of beer, wine and liquor.

"Chemical Additives in Booze" is the Center for Science in the Public Interest's (CSPI) latest effort to inform the public about alcoholic beverages' ingredients, additives and calorie contents, as well as the financial profiles and addresses of the country's largest beverage manufacturers.

CSPI has long lobbied for ingredient disclosure and sued the Bureau of Alcohol, Tobacco and Firearms (ATF) last March after it rescinded a proposed ingredient labeling rule which would have taken effect Jan. 1, 1983. That suit is still pending in the federal district court here.

CSPI Executive Director Michael Jacobson said that over a million people are allergic to substances in beer, wine and liquor. But in "abandoning a regulation requiring ingredient disclosure, our government says we have no right to know what specific chemicals appear in our alcoholic bever-

(Continued on page 32)

BI Package of the Week

7UP
No Caffeine
7UP Season

Carrier features quality graphics at lesser price

LIONVILLE, PA—The Container Corp. of America (CCA) and the Seven-Up Co. have developed a new package for 16 oz. non-returnable glass and .5-L PET containers that is made of plastic and paperboard.

VersaClip has the graphics opportunities offered by paperboard wraps, but at a lesser price.

The package is made of low density polyethylene, covered with 18 point beverage kraft

(Continued on page 32)

MANDATORY DEPOSITS:
Dark clouds on the horizon

By Gary Hemphill, Associate Editor

SPECIAL REPORT—In spite of four defeats in the November election, the prospect of forced deposit laws hangs ominously over the heads of bottlers like a huge rain cloud.

"It's a never ceasing political skirmish," said John Downs, manager of state and local affairs for the National Soft Drink Association (NSDA).

Arthur Stupay, a market analyst and partner at Prescott, Ball and Turben in Cleveland, said word is the states that failed to pass the law in November—Arizona, California, Colorado and Washington—will try to put it on the ballot again.

"Extremist groups won't

(Continued on page 18)

BI Week

• At presstime it appeared that G. Heileman had been successful in its bid for Pabst. As of Dec. 22, withdrawal date for the firm's tender offer, it had received approximately 6.7 million of Pabst's 8.2 million outstanding shares. Heileman's offer of $32 a share was topped by Paul Kalmanovit, General Brewing, at the last minute for the $40 offer evidently had no effect.

The battle for control of Pabst had been taking place for almost a year and involved a number of financial concerns. Irwin Jacobs, a dissident shareholder, had been in the fray since almost the beginning. Under an agreement with Heileman, Jacobs legal expenses will be paid. Jacobs shares—approximately 14% of the

(Continued on page 17)

FDA proposes labeling exemption for canners

WASHINGTON, DC — The Food and Drug Administration (FDA) has proposed a labeling exemption that would allow soft drink canners to list the name and address of manufacturers, packers and distributors on the can lid instead of the principal display panel.

FDA is permitting the proposed exemption, which puts the canners on equal footing with bottlers, to now be in effect although it is accepting comments on the plan until January 17. A petition from the American Can Co. is said to have initiated the proposed exemption.

The agency claims a final rule will take effect upon publication. The National Soft Drink Association which has supported the plan in the past, sees no impediments to the rule being issued shortly, "particularly in light of the fact that FDA is permitting the exemption to take effect immediately."

Under the plan, information on the can lid with the

(Continued on page 28)

HFCS replaces sucrose as no. 1 sweetener

WASHINGTON, DC—In tune with a trend over the last few years, the soft drink industry's use of cane and beet sugar has been declining, while its use of high fructose corn syrup (HFCS) has been rising, reports the Agriculture Department (USDA).

Estimates for the industry's sucrose consumption for 1982 hover around 1.72 million short tons, compared

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Contents

Forced deposit laws could become reality

In a special **BI** report, the prospect of forced deposit laws is discussed. The four state legislatures of Arizona, California, Colorado and Washington all failed in bids to pass the laws last November, but are said to be trying to put them on the ballot again.

Nine states now have such deposit laws: Oregon, Vermont, Delaware, Connecticut, Iowa, Massachusetts, New York, Maine and Michigan. Laws in Delaware, New York and Massachusetts all went into effect this month.

The **BI** report says laws vary from one-tier, those which have one deposit for all containers, to two-tier, those having different deposits for one-way containers and returnable containers.

"It's a never ceasing political skirmish," John Downs, manager of state and local affairs for the National Soft Drink Association (NSDA), told **BI.** Downs also offers more information throughout the report, as does Arthur Stupay, a market analyst and partner at Prescott, Ball and Turben, Cleveland.

For more information on this subject which affects all bottlers, see **page 1.**

Alcoholic contents published in book

Since the federal government does not require alcohol ingredient labeling, a consumer group has taken matters into its own hands and published a book listing many of the ingredients found in several types and brands of beer, wine and liquor.

The Center for Science in the Public Interest (CSPI) has written and published "Chemical Additives in Booze," a new effort to inform the public about alcoholic beverages' ingredients. Financial profiles and addresses of the country's largest beverage manufacturers are included in the book.

After contacting many brewers and vintners, CSPI managed to list some or all of the ingredients of over 50 brand name beverages. CSPI has long lobbied for ingredient disclosure and sued the Bureau of Alcohol, Tobacco and Firearms (ATF) last March after a proposed ingredient labeling rule was rescinded. It was due to go into effect Jan. 1.

To obtain more information on the CSPI publication, see **page 1.**

Pres. of Detroit Coke speaks on deposits

Stuart W. Giller, president of the Coca-Cola Bottling Co. of Detroit, spoke at this year's NSDA convention in Atlanta on the prospect of living with deposit laws.

Giller summarizes that the deposit law has been a very costly, ineffective way to reduce bottle and can litter, save energy, create jobs and lower prices. He maintains that the bottler would need more trucks, more production equipment, more warehousing space, more hourly employees and lower volume of sales.

For the retailer, Giller says, the law means more employees, shelf space problems, unsanitary store conditions, reduced back room space and lower volume.

For the consumer, inconvenience of returning all bottles and cans, limited product selection and higher prices. He suggests a litter/control/recycling law. For more details of Giller's proposals, see **page 4**

NSDA coverage is continued

Booth-by-booth coverage continues in this issue of **BI.**

Flooring, recycling and conveyors are covered, as well as trucks, quality control and computers.

For a look at those exhibiters' displays see **page 27.**

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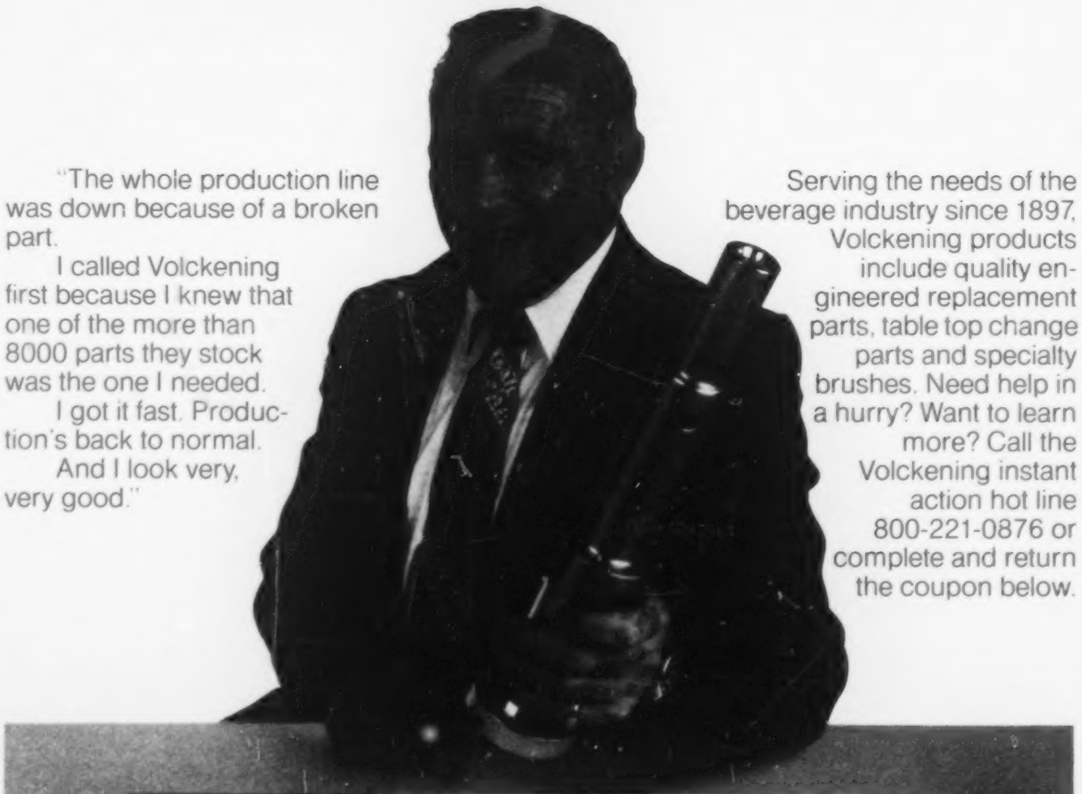

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Beverage Industry

MARKETING ☐ DISTRIBUTION ☐ TECHNOLOGY An HBJ PUBLICATION

Living with forced deposit 'a nightmare': Giller

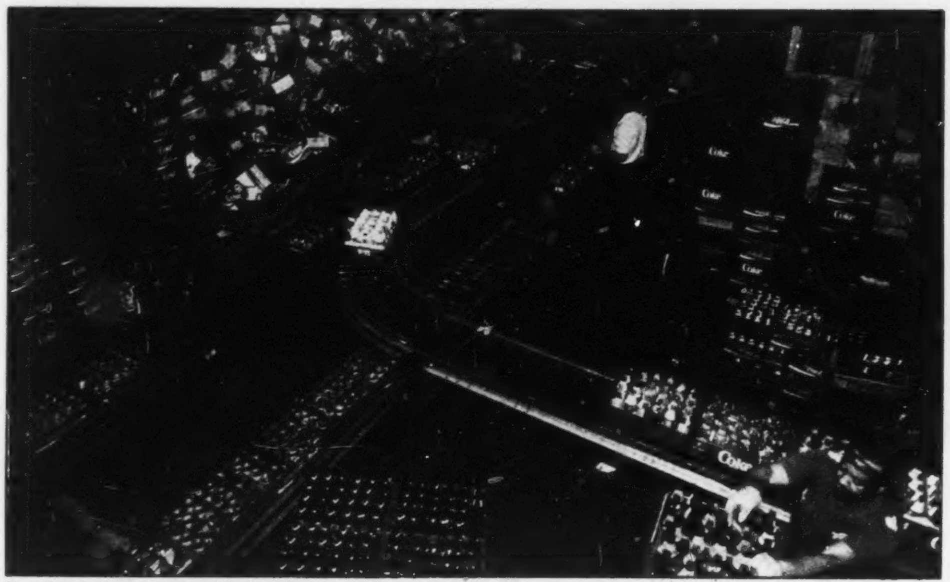
By **Stuart W. Giller,** president, **Coca-Cola Bottling Co.,** Detroit, MI

***Editor's note:** This article is an adaptation of a presentation by Stuart W. Giller given at the recent **NSDA** meeting. His remarks have been edited to conform to **Beverage Industry** style.*

Greetings from Michigan where we eat, drink and sleep with the deposit law. I don't count sheep. I count empty bottles and cans on a never ending conveyor belt. It's a recurring dream ... or should I say nightmare. The bottles and cans just keep coming back.

I've been in, and out, and back in this business over 20 years and thought I'd seen and experienced every type of problem or inconvenience involved with manufacturing our products and delivering them to customers. I admit *now* I've seen everything. A forced deposit law is like a tornado. You may know it's coming. But not exactly when. And you don't know the extent of the damage it can cause, until it hits. After it hits, there's a lot of garbage to be cleaned up.

And guess who gets to clean it up? We, the people of the beverage and beer industries. We *all* become *garbage collectors and recyclers,* in addition to being manufacturers, marketers and distributors.



Employees sort returnable bottles at the Coca-Cola Bottling Co., Detroit. When the forced deposit law went into effect in Michigan, more employees had to be hired.

Our deposit law in Michigan was effective December 1978. And specifically, Detroit, a market of over 4.5 million people, was the first major metropolitan area to be plagued with such legislation. The law requires that *every* beer or soft drink container sold in Michigan carry a 10-cent deposit (5 cents if it can be used by more than one manufacturer.) Consumers pay the deposits when they buy the beverages. They collect the refunds when they return the empty containers. In Michigan those empty containers are all sizes of glass bottles, plastic bottles and cans. Retailers must redeem every brand and size they sell regardless of wheth-

(Continued on page 8)

Hudepohl expands market for super premium beer

CINCINNATI—The Hudepohl Brewing Co., located here, took its super premium beer, Christian Moerlein, to Dayton, Columbus, Toledo and Lexington recently, backed by advertising and promotional support in each city.

Christian Moerlein has been available in the greater Cincinnati area since its introduction in September 1981. Company officials maintain the product sold so well in Cincinnati last fall that the small brewery literally ran out, underestimating the initial sampling and popularity.

The advertising slogan, "Quite Simply, a Better Beer," has continued into 1982 and will be used in new markets, namely the aforementioned areas, for regional Christian Moerlein expansion.

Hudepohl spent approximately $250,000 for the six-week advertising blitz, which began in mid-November. In addition, local distributors planned holiday in-store displays and special promotions.

"This is a special beer with a very different taste and expensive ingredients," says Robert L. Pohl, executive vice president and general manager. "It was well-received in Cincinnati, and we hope consumers in other parts of Ohio and Kentucky will enjoy it just as well."

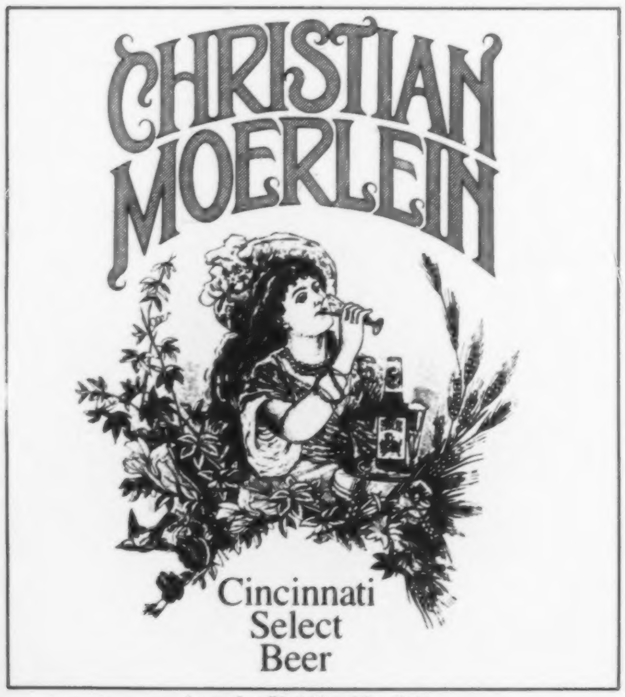
Christian Moerlein is named after Cincinnati's most famous brewer and his family-owned brewery, which was the largest in Cincinnati and the state of Ohio during the 1800's.

Hudepohl revived the name for its first entry in the super premium beer market last year.

The packaging is designed from an original 1890's ad from the old Christian Moerlein brewery. It received numerous packaging awards during the past year, including "Package of the Year" by Cincinnati Magazine. In addition, the beer received the Marketing Award of the Year by the Cincinnati chapter of the American Marketing Association.

Christian Moerlein bottles

(Continued on page 32)



Logo for Christian Moerlein

Invisible bond proves economical for Shasta

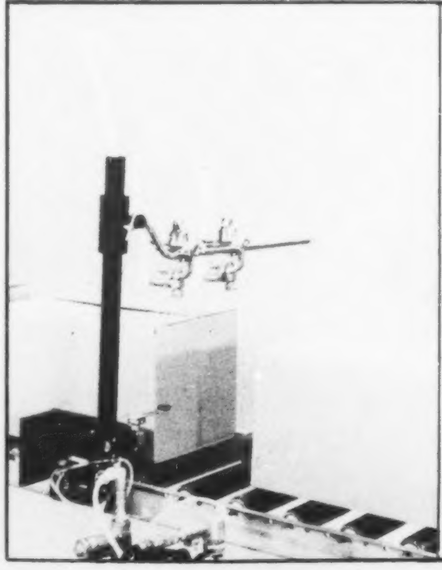
LA MIRADA, CA—Shasta Beverages Inc., located here, recently adopted a new method of unitizing pallet loads. That system has shown Shasta a savings in both labor and material costs while eliminating product damage to shipping loose pallets.

According to Production Manager Bruce Ross, La Mirada Shasta formerly used plastic strapping tape with an adhesive on one side to hold pallets together.

"We taped the top layer of the pallet and ran a diagonal strip around it," he said. "This method was not satisfactory, especially for our plastic bottles. Since the plastic bottles are so light, the cartons had a tendency to slide around during shipment which caused us to lose the locking pattern on the pallet," he explained.

Consequently, La Mirada Shasta began using Key Tech Corp.'s Lock n' Pop spray-on invisible bond which, when applied to the tops of cartons, eliminates slipping during transit.

(Continued on page 32)



Key Tech Corp.'s Lock n' Pop is an invisible bond that is applied to the tops of cartons and eliminates slippage during transit.

Living with a deposit law

(Continued from page 4)

er they sold the actual containers being returned. (*Broken* bottles are excepted.) Recently enacted, corrective legislation requires that the containers must be clean, and a retailer is not *required* to accept more than $25 worth of containers from any customer at one time.

Other states offer variations of this theme. Some exempt 64-ounce plastic bottles or aluminum cans or require the bottler to pay the retailer a handling fee. The variety of laws go on and on.

Bottlers must supply can catchers to retailers so they can collect the cans.

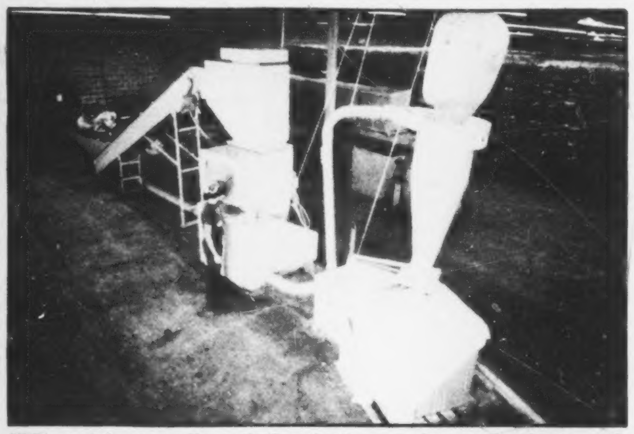
The deposit laws which have hit Michigan, Oregon, Vermont, Iowa, Maine, Connecticut, Delaware, Massachusetts and New York, affect virtually every person in the state who produces, sells or buys beer or soft drinks. I would like to describe the *Odyssey* that we in Michigan have experienced and what *you* could expect, should a deposit law be enacted in your state. The bottler, distributor, retailer and consumer all become victims of what has been termed "*discriminatory legislation*".

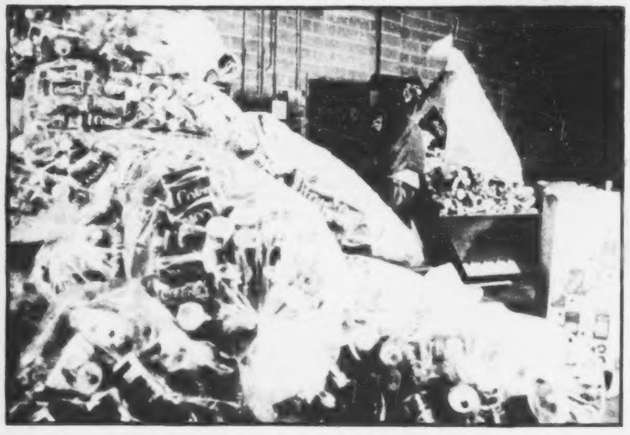
First, let's take a look inside the plant or distribution center, depending on how your operation functions, *after* the deposit law.

We had to invest in more and larger 14 and 16-bay trucks because the volume handled per vehicle was dramatically reduced.

The combined load of heavier fulls *and empties* plus more frequent deliveries increased our fuel usage. We've found it economical *to convert* to diesel fuel. The trucks used to return from a route empty or with a small amount of product. *Now*, since the drivers not only deliver product, but pick up *an equivalent* number of empties, they return with a heavy load of empty glass bottles, plastic bottles and cans. All of these empties are unloaded, checked in, and sorted by additional unskilled employees, which we have added.

The cartons are also sorted since many customers have returned our empties in somebody else's cartons. We discard those and, of course, replace them with our own at a cost of about *15* cents each. *Now* the recycling process begins. The plastic 2-L containers go directly to the plastic granulator unit which you will *need* if you're in a deposit law state. The plastic containers are pulverized and hopefully all of us can continue to find a market for the scrap. We have found the demand for granulated plastic has been all but eliminated. We soon may have to pay to have it hauled away or haul it away ourselves . . . to another state . . . as the environmentalists now say we can't dispose of it in Michigan.


PET containers go through the plastic granulator unit, above, and, below, returned cans take up valuable space in the bottler's plant.



What about the cans? Like the plastic containers they must be recycled. You haven't *really* "*lived*" with the deposit law until you've crushed cans. The cans come back to us in the large plastic bags we supplied to the retailer for a 35-cent deposit. The retailer puts them in a can catcher which is a carton we provide to him free of charge to put in his store to collect our cans. The plastic bags theoretically hold 240 cans when filled to the "full" line. We buy back 240 cans in a bag. Or 230; or 235. Whatever the retailer decides is a full bag. Nevertheless we have to pay for 240 cans in a bag or count them on the spot with our $14 per hour delivery driver. Our company experiences a 4% loss from short can bags, which translates into approximately *a $96,000 loss* per million cases of cans sold. This cost is somewhat offset by the cans we never get back.

There's *nothing* we can do, short of telling the retailer *he can't count.* Maybe the miscount was accidental or he shorted us on purpose. Either way, we lose. After the empty cans are unloaded from our delivery trucks and spot checked, they go directly to the can crusher. You will definitely need a can crusher if you have a deposit law. The crushed cans are hauled away by a recycling company which pays us for the aluminum. However, recently prices on aluminum have been falling, so who knows how long the scrap aluminum market will exist?

santizing bottles

Recycling returnable bottles is a very time consuming process. In plant, they're initially sorted by brand and size. This happens at our distribution centers or could be done at the production facility with even more disruption. Now, *you may have forgotten* the soaker for cleaning and sanitizing. Put a soaker on your list of equipment to buy. *Remember,* we're *back* in the returnable bottle business and, don't forget a labeler if you're not using ACL bottles for all of your brands.

Of course, if you don't want to sort 38 different bottles for all your brands, put a "generic" bottle float on your shopping list.

In addition to the production equipment needed, our experience has shown you can count on the following when you convert to accommodate a deposit law:

- Adding 35% more route trucks due to more, shorter routes and more returnables;
- Adding 60% more warehouse space for new equipment, sorting lines, returnable bottles and recycling operations;
- Adding 25% more hourly employees including drivers, sorters, warehousemen and others involved in recycling.

You can also expect:

- An 18% decline in your first year volume as a result of higher prices, less products available on the retailers' shelves, and consumers switching to alternative beverages.

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- A 19% increase in retail prices because of additional costs incurred by you the bottler, the distributor and the retailer to comply with the law.

Additional costs not included here are:

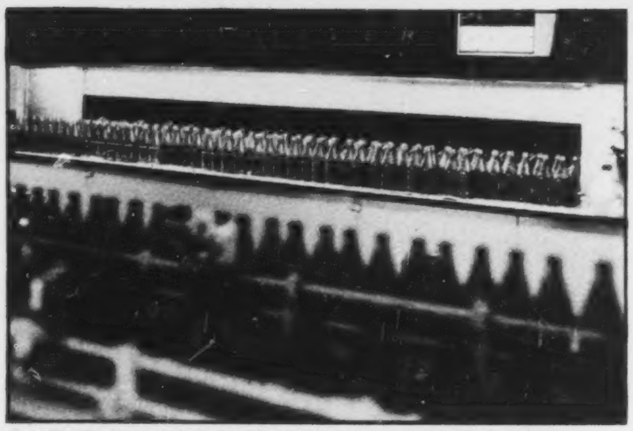
- Your increased fuel costs to operate more trucks;
- The cost of supplies you provide to the retailer, such as "can catchers" and plastic bags;
- The cost of replacement cartons.

Overall industry's *productivity is down 50% and delivery costs up 50%.*

Now, *a major consideration* to you as a bottler is the effect the law has on your product mix. The *convenience or non-refillables* dominated the market from 1975 to 1978. And by the end of 1978, when Michigan's law became effective, the refillables' share increased 5%, taking away from both non-refillables and cans. Looks pretty insignificant *so far;* but in *1979,* the *first complete year after the law* was in effect, refillables *jumped 60%* to *69.3%* of market from 9.2% the previous year. Non-refillables dropped from 74.4% to 17.1% and cans down from 16.4 to 13.7%. Are you ready for your market to be turned inside out?

Now, let's focus on what happened in the Detroit market six months before and six months after the law went into effect. The convenience or non-refillable share remained rather consistent from June to September of 1978. A slight decrease took place in October and November, just prior to the law's becoming effective in December. But, from December of '78 to May of 1979, refillables totally dominated the market. This huge increase of returnables happened literally overnight. Again, are you prepared for waking up to returnables? It won't be a dream.

Now, we'll move from our bottling and distribution operations to the retail level. *What's really* happening at the retail level? The independent grocer is totally bottled in. One set of laws says he must keep a clean, sanitary store, and the other says he must accept everybody's garbage. He has to create extra space—space in the front of the store for customers to return bottles and cans—and space in the backroom where the returnables are sorted and stored until the bottler picks them up. The plastic-lined "can catchers" provided by the bottlers, take valuable space that could be used to display merchandise. Dirty cans and bottles cramped in the backroom with food create sanitation problems. The retailer must call an exterminator twice as often.


Bottlers in forced deposit states will have to invest in a soaker.

RETURN CLEAN DEPOSIT CONTAINERS
Returned bottles cause a space and sanitation problem for retailers.

more employees

In addition to space and sanitation problems, the retailer needs more employees, probably his biggest expense. Farmer Jack Supermarkets, Detroit's largest supermarket chain, of 85 stores had to

(Continued on page 13)

"All I wanted was a computer to handle General Ledger, Route Settlement, Inventory Control, Bank Reconciliation, Payroll/Personnel, and more.

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Franklin, Pennsylvania

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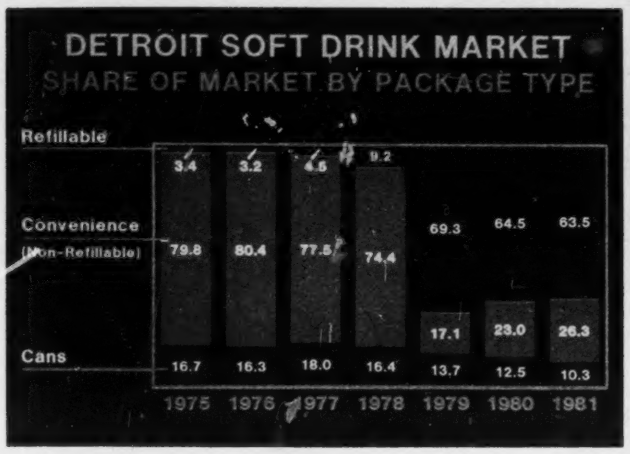

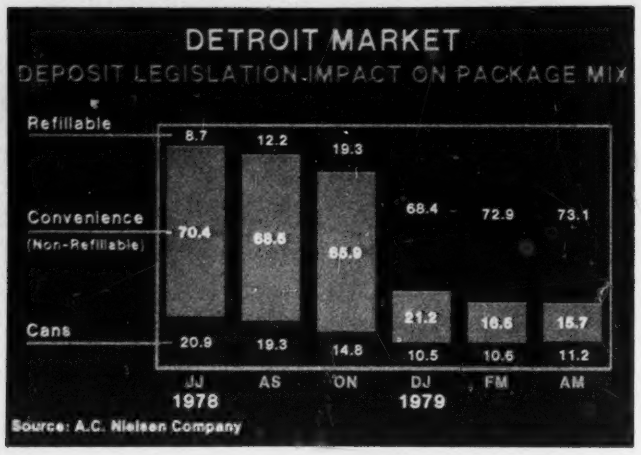

Source: A.C. Nielsen Company

Living with a deposit law

(Continued from page 9)

add nearly a dozen employees per store to handle returns. A second retail report estimated that in another Detroit supermarket chain *83 hours per store* per week were needed to handle returned bottles and cans. That amounts to *$50,000 per year per store.*

Did the sales of beer and soft drinks increase to offset these additional expenses? *Hell no, they didn't!* The retailer loses sales for a variety of reasons, such as:

- The price — His margin now jumps to 28%. He claims this barely covers the increased costs. Outlets near state borders with no deposit law lose *50 to 80%* of their sales. Their customers will sneak across state lines to buy less expensively, but *will probably* return these empties to *them* for refunds;
- Shelf space is limited — Refillable bottles take 40% more space;
- Elimination of brands and sizes — Due to a crowded storage space in the backroom and shelf space up front, low volume brands must be discontinued. The bottler also loses here. We decreased our number of bottle and can packages from 72 in 1980 to 39 in 1982, to cope with the law.
- Resort area retailers will get an over abundance of empties purchased somewhere else that tourists don't want to take home. He handles the empties but doesn't get all the sales.

mobile market

The mobile market is similarly affected. Just because the soft drink comes from a machine, doesn't mean that it will be any cheaper. Let's not forget the deposit must be covered. Here, the consumer pays 75¢, and the dealer reevaluates the wisdom of continuing to sell bottles and cans. And, for the restaurants and bars, customers used to enjoy their favorite drink poured from a can or bottle. With the deposit law the restaurant owner finds it more cost effective and convenient to use a fountain dispenser. And the bottler loses.

Let's see if the consumer is benefitting like the proponents of the deposit law *said they would.* Consumer groups fought to have this law passed, only to realize later they would be confronted with:

- *Higher prices* due to deposits he must pay and handling costs along the way. Driving across state lines to no deposit law states to buy beer and beverages less expensively. Converting to less desirable non-carbonated beverage or powder whose price is not affected by the deposit law;
- Inconvenience of returning *all* containers. There's no easy way to return 2-L bottles or cans, even glass bottles can be a real juggling act;
- Limited product selection. Due to lack of space at retail level many "old-favorite" brands in the root beer and fruit flavor categories are eliminated.

CONVERSION IMPLICATIONS
MANDATORY DEPOSIT LEGISLATION

Route Trucks	35%	added
Warehouse Space	60%	added
Hourly Employees	25%	added
First Year Volume	18%	decline
Retail Prices	19%	increase

Here is some specific information on the effect of the Michigan deposit law regarding pricing, sales volume and market growth.

First. Let's look *at retail soft drink prices 8 pack 1/2 liter/16 oz. returnables.* Detroit metro prices were:

- 30.4% higher than the national average in 1980;
- 36.3% higher in 1981;
- 36.4% higher in 1982.

Now 6 packs of 12-ounce cans. Detroit metro prices were:

- 14.1% higher than the national average in 1980;
- 19.1% higher in 1981;
- 28.1% higher in 1982.

As for the single 2-L PET bottle, Detroit metro prices were:

- 19.5% higher than the national average in 1980;
- 22.2% higher in 1981;
- And 14.3% higher in 1982, exhibiting an 8.4% decrease from '81 to '82 due to intense discounting and price-promoting on the "*easiest to handle*" package.

Now you can clearly understand why soft drinks experienced an 18% decline in sales volume the first year of the law. This graph charts the Detroit soft drink market sales volume from August 1978 to August 1980, when the industry lost 33% of its sales. August 1980 to August 1981 produced flat sales and finally from August 1981 to August 1982, we began to experience a very small increase.

How about the income statement and balance sheet?

- Expenses will soar due to employee and equipment additions;
- Revenues will decline because of lower volume;
- Retained earnings will be eaten away;
- Proponents of the deposit bill will argue that the unclaimed deposits from those bottles and cans never returned will offset your operating expenses. *We know it isn't so.* These same proponents also believe that the unclaimed deposits rightfully belong to the state or the consumer and are trying to take them away from the bottler. Currently legislation has been proposed in this direction.

Why in the world are we living with the deposit law? In Michigan, the *politicians, environmentalists and 64%* of our voters passed this law in 1976, with the strong belief this almighty law would reduce our litter and solid waste, save energy, create jobs and lower prices.

What has this deposit law done in Michigan *to reduce litter?* Statistics show that bottle and can litter has been reduced by nine million containers. These nine million containers represent less than *one quarter of one per cent* of the containers sold in Michigan last year. And it cost the *industry* and *the consumers* $300 million. *It's like killing a fly with a sledgehammer. Overkill is an understatement.*

According to one 1981 report, beverage containers represent *less than 12%* of the nation's total urban street litter *and only 20.3%* of all rural highway litter. If deposit laws could eliminate *all* beverage container litter — which they can't and don't — at least 88% of the urban street litter and almost 80% of the rural highway litter would remain. Even though bottle and can litter was reduced in Michigan following the deposit law, *total litter actually jumped* between 5.6 and 22.5% depending on the type of litter measurement used. And Michigan taxpayers must spend increasingly more for litter abatement each year. *Deposit laws do reduce bottle and can litter, but ignore other types of litter, including paper which is the worst offender.*

jobs affected

Proponents of the forced deposit law promised that passage would create jobs. *It did create several thousand unskilled* sorting and handling jobs in the plant and at the retail level, at the expense of eliminating thousands of skilled bottle and can manufacturing personnel due to plant closings or decreased business. That *small net gain* of total jobs was lost to *much higher consumer prices and extra fuel consumption.*

And, speaking of energy. The law was supposed to *save energy.* No doubt the Michigan beverage industry has saved some energy due to the recycling of aluminum cans. Alcoa claims energy expended in making aluminum sheet from recycled material is 95% less than that re-

RETAIL SOFT DRINK PRICES
6 PACK 12 OZ. CANS

	National Average	Metro Detroit	Detroit vs. National
1980	$1.91	$2.18	+14.1%
1981	$1.99	$2.37	+19.1%
1982	$1.99	$2.55	+28.1%

Source: A.C. Nielsen

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RETAIL SOFT DRINK PRICES
SINGLE 2-LITER PET BOTTLE

	National Average	Metro Detroit	Detroit vs. National
1980	$1.28	$1.53	+19.5%
1981	$1.32	$1.62	+22.7%
1982	$1.33	$1.52	+14.3%

Source: A.C. Nielsen

RETAIL SOFT DRINK PRICES
8 PACK 1/2-LITER / 16 OZ. RETURNABLE

	National Average	Metro Detroit	Detroit vs. National
1980	$1.94	$2.53	+30.4%
1981	$2.01	$2.74	+36.3%
1982	$1.95	$2.66	+36.4%

Source: A.C. Nielsen

quired to make the aluminum from iron ore.

Michigan beer and soft drink distributors, unfortunately, have *increased* their gasoline and diesel fuel consumption due to *more and larger* trucks, more trips and heavier loads, since implementation of the law. Each soft drink case requires 32% more fuel, the Can Manufacturers Institute estimates. It was also estimated that our industries in Michigan would use 325,000 more barrels of oil in 1979, the year following the law. All estimates aside, I do know our company consumed in 1979 22% more gasoline and diesel fuel for delivery and 30% more water and 25% more energy in production. Clearly, we haven't come out ahead in the energy savings game.

And last, but not least, the deposit law was passed to lower prices. I can't think of one example of lower prices in Michigan. Basic economics dictate the *percentage increase in price*, directly corresponds to *the percentage increase in costs* incurred by the manufacturers, distributors and retailers to operate under the deposit system.

summary

To summarize, the deposit law has been a *very costly, ineffective* way to *reduce bottle and can litter*, save energy, create jobs and lower prices.

The bottom line for the bottler is more trucks, more production equipment, more warehouse space, more hourly employees and lower volume.

For the retailer, more employees, shelf space problem, unsanitary store conditions, reduced backroom space and lower volume.

For the consumer, inconvenience of returning all bottles and cans, limited product selection and higher prices.

Is there a more *effective alternative?* Yes — It's called the litter/control/recycling law and it's being implemented in 11 states currently. Washington was the first in 1972 and is probably to date *the finest* in the country. Under this comprehensive law, the state administers the total program including public re-education and distribution of receptacles to public places, and, enforcement. In Washington, for example, you must have a litter bag in your car or boat or be fined. The program costs Washington $12 million per year and it works. *Roadside litter was reduced 90%* the first year and now the amount of litter is *27% less than neighboring Oregon, which has a mandatory deposit law.* The recycling industry has grown, employing more than 4,000. Who pays for this type of law? You do. The Washington program is partially funded by a tax on the manufacturers and sellers of the products which generally contribute to litter. Beverage companies pay 70% of this tax. If this law were to be implemented in Michigan, the beverage companies' share would *amount to less than 1% of the cost of compliance* with *the existing deposit law.* The

(Continued on page 32)

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Unitog celebrates 50th

KANSAS CITY, MO—Unitog Co., manufacturer and rental supplier of industrial work apparel, celebrated its 50th anniversary in business in 1982.

The corporate structure of the company consists of seven manufacturing plants, three warehouse distribution centers and a nationwide network of 12 rental system locations. The company reports its annual revenues are approaching $70 million and employs approximately 2,000 people.

The company was founded in 1932 by Arthur Dutton Brookfield, a graduate of the University of Michigan. Business was low in those days, the company says, and Brookfield had a hard time financing the company since he'd never owned his own business before.

His fledgling company was aided by an "image-making concept": a neatly tailored one-piece coverall for automotive service station attendants was designed to give instant identity to the oil companies and Unitog maintains this concept is still in effect today, since the company services the beverage, oil, utilities and mail industries.

Unitog started with a basic three-item product line—the coverall, a service station grease coat and a cap. Its target market began with the petroleum industry, but soon branched out into others, including, of course, the beverage industry. By 1941, Brookfield-Garrison Manufacturing Co. was formed, an equal partnership with Garrison as plant manager and Brookfield in charge of sales. In 1947, the plant became a wholly-owned Unitog subsidiary.

The uniform rental field proved to be a highly profitable segment within the company, with earnings from the Unitog Rental Services Division now representing 50% of the company's total revenue.

Shasta

(Continued from page 4)

After cases are sealed, they are transported about 300 ft. via an over head conveyor to an FMC semiautomatic palletizer. While the cases are on the conveyor, they pass an applicator that sprays a 2 in. wide strip of Lock n' Pop on the top of each case. "The width of the strip can vary, depending on how you set the applicator head," Ross explained. "The Lock n' Pop is still wet when it comes in contact with the case over it. As it dries, the material forms a bond between the two cases."

After Lock n' Pop is applied, the palletizer then places cases onto the pallet. Pallets ae picked up by forklift at the discharge end of the conveyor and brought to the warehouse until ready for shipment.

"The system is completely automatic so we've saved on labor, too," said Ross. "Conversely, our old method of unitizing required one extra person per shift to apply the tape."

According to Ross, the cost of strapping tape was a big factor in the decision to switch unitizing methods.

"It cost us $800 for 10 cases of tape with one roll of tape used for every 12 pallets," said Ross. "Key Tech's Lock n' Pop, on the other hand, costs us about 25 cents per pallet so we have realized a considerable savings in material costs as well," he said. "There's 144 rolls of tape in a case and each roll costs us about 43 cents."

In addition said Ross, the Lock n' Pop material leaves no build up or sticky deposits; does not abrade container surfaces; operates in all temperatures and environments; and does not interfere with inks or graphics.

"Even though the Lock n' Pop holds cartons horizontally in place, the cartons can be freed easily by a simple lifting motion," said Ross.

"At first, our drivers did not believe that Lock n' Pop could hold a pallet together that weighs almost 1500 lbs. But now they are sold on Lock n' Pop, too," he added.

According to Ross, the initial investment is extremely low and the system has already paid for itself from the standpoint of labor and material savings.

- For more information on **Key Tech Corp.'s Lock n' Pop,** circle 221 on reader service card.

Hudepohl

(Continued from page 4)

are made by Thatcher Manufacturing of Greenwich, CT. Gamse Litho, Baltimore prints the beer label, while the crown is manufactured by Zapata, Inc., Frackville, PA.

Wabash, Inc. is responsible for making the case Christian Moerlein is sold in and the basket is manufactured by Manville Forest Products.

According to the company, the brewery is one of the few surviving small breweries in the U.S., brewing less than .5 million barrels per year.

"We do not have national expansion plans for Christian Moerlein or any other beers brewed by Hudepohl," Pohl revealed. "We are proud that we are a small brewery, surviving in the midst of mergers and corporate giants."

- For more information on **Thatcher Manufacturing,** circle no. 222 on reader service card; for **Gamse Litho,** circle no. 223; for **Zapata,** circle no. 224; for **Wabash,** circle no. 225; for **Manville Forest Products,** circle no. 226; for **Christian Moerlein,** circle no. 227.

Labels

(Continued from page 1)

ages."

But after contacting many brewers and vintners, CSPI managed to list some or all of the ingredients of over 50 brand name beverages. While "some companies were quite cooperative, most refused to divulge their ingredient list. With the help of our members," he said, "we were able to compile these findings."

CSPI says it plans to expand and update the book "until such time as all alcoholic beverages bear complete ingredient lists on their labels." In the meantime, its book advocates that the government "certainly require disclosure of the coloring FD&C Yellow No. 5 as well as the preservative potassium metabisulfite" which CSPI claims have proven to cause allergic or asthmatic reactions in sensitive individuals. The Food and Drug Administration already requires the listing of Yellow No. 5 on foods, but not on alcoholic beverages, which ATF regulates.

The United States Brewers Association supported malt beverage ingredient labeling when ATF first showed an interest back in 1982. But since the proposed labeling rule was rescinded, the brewers have not pushed for its resurrection. Still, USBA maintains that the primary ingredients in beer are already listed on the label, as are the caloric contents for light beers.

BI Package of the Week

Carrier

(Continued from page 1)

paper. It is produced by inserting a printed paperboard blank directly into an injection mold. The package measures 4½ x 7½ in. and is 2 in. high.

Seven-Up is test marketing the package in Louisville, KY, and Philadelphia, PA. Although results of the testing are not expected until the end of the month, so far it's been a success, according to John Blousum, national marketing manager for CCA.

Seven-Up has the exclusive rights to VersaClip in 1983, but in 1984 it will be available to all bottlers, Blousum said.

If test markets are successful, the package will be available to all Seven-Up bottlers by mid-year.

The package, which is the product of about two years research, is cheaper than paperboard wraps because less paperboard is used, but it's still slightly more expensive than plastic multi-packs.

Blousum said the new package can be applied with existing clip application equipment with only minor adjustments.

Other advantages of the carrier are:

- The same size carrier works for both 16 oz. nonreturnable glass and .5-L PET bottles;
- Its large two-finger handle allows for more comfortable carrying, and;
- Bottles can be removed and replaced without damaging the container.

Blousum said the package was greeted enthusiastically at the National Soft Drink Association convention in Atlanta in November.

- For more information on the **VersaClip,** circle no. 228 on reader service card.

HFCS

(Continued from page 1)

with 1.85 million in 1981, 2.16 million in 1980, 2.4 million in 1979 and 2.6 million in 1978.

The estimated industry use last year of the cheaper HFCS is 2 million short tons, versus 1.64 million in 1981.

Per capita sucrose use dropped 4.3 lbs. to 79.4 lbs. while HFCS and glucose consumption jumped 6 lbs. to 55 lbs.

Wholesale sucrose and HFCS prices have steadily risen over the past few years, too, the agency added. In 1981, beet sugar cost 29 cents per pound compared with 30 cents in 1980, 18 cents in 1979 and 17 cents in 1978. HFCS' wholesale price was 21.4 cents in 1981, 23.6 cents in 1980, 13 cents in 1979 and 12 cents in 1978.

The sharp wholesale price increase in 1980 reflected the "overconsumption and underproduction of sucrose that year," said a spokesman with the Sugar Association.

Deposit Laws

(Continued from page 14)

estimated cost of such a comprehensive program in Michigan would be approximately $20 million, compared to the $300 million it's costing industry and consumers now.

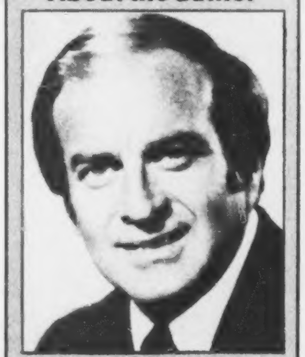
I personally think this litter control law is a viable and inexpensive alternative.

Living with the deposit law is like reconstructing after a damaging tornado. A tornado legislature along with misguided voters and can be prevented.

If you feel a forced deposit law is about to hit your state, fight it at all costs. Here's what to do:

- Educate and communicate, involving both retailers and consumers. Band together with other bottlers and distributors. Share all your information with retailers. Meet with them every step of the way and you'll gain a very large and strong group of allies. Make presentations to all types of consumer groups. The proponents probably have already been there.
- Visit states that have deposit laws. Check out the bottling operations. Talk with the retailers. Do your homework. Take pictures, films, videotape. Plan with your own people your form of protection and their part in it. Visit those states such as California, Colorado, Washington and Arizona that have defeated legislation to enact such laws.
- Propose a viable alternative such as the litter/control/recycling law. We must come up with a positive litter/control and recycling program and sell it to everyone who is affected. Only then can we concentrate all our efforts on the business of manufacturing, distributing and marketing our products . . . at a profit!

About the author



Giller

Stuart W. Giller is president and CEO of Coca Cola Bottlers of Detroit, Inc. He began his soft drink career with Pepsi-Cola in 1958 as a route salesman in Akron, OH. In 1964, he became sales manager and in 1965 he was appointed vice president of marketing for Pepsi-Cola of Akron/Youngstown/Cleveland.

In 1970, he was appointed to group vice president, beverage division, of General Cinema Corp., the largest franchise bottler for Pepsi-Cola, Inc., in the United States. He is a graduate of Kent State University in journalism and business.

Circle No. 108 on Reader Service Card →

Package mix for beer with mandatory deposits

Two tier states

Package	Oregon (Effective 10/72) 1971	Oregon 1977	Oregon 1981	Michigan (Effective 12/78) 1977	Michigan 1979	Michigan 1981
Cans	33%	6%	31%	64%	36%	37%
One-way Bottles	19	18	16	14	21	23
Refillables	25	53	29	11	29	23
Draught	23	23	24	11	14	17
Total	100%	100%	100%	100%	100%	100%

Single tier states

	Vermont (Effective 9/73) 1970	Vermont 1977	Vermont 1981	Connecticut (1/80) 1979	Connecticut 1981	Iowa (7/79) 1979	Iowa 1981
Cans	39%	28%	25%	33%	31%	65%	58%
One-way Bottles	45	41	51	46	42	13	12
Refillables	10	16	11	7	8	8	8
Draught	6	15	13	14	19	14	22
Total	100%	100%	100%	100%	100%	100%	100%

Source: United States Brewers Association

Copyright: Beverage Industry
January 14, 1983

The impact of mandatory deposit laws on beer varies dramatically between one and two-tier states. Cans dropped in popularity in both types of states, but they made a comeback in two-tier states. In all of the states, draught beer gained in popularity. In addition, refillables gained dramatically in popularity at first, but then tapered off.

Deposit laws

(Continued from page 1)
Washington—will try to put it on the ballot again.

"Extremist groups won't be happy until we have forced deposit laws everywhere," Downs said.

Nine states now have such laws, inclueding Oregon, Vermont, Delaware, Connecticut, Iowa, Massachusetts, New York, Maine and Michigan. Laws in Delaware, Massachusetts and New York went into effect this month.

Laws vary from one-tier, those which have one deposit for all containers, to two-tier, those having different deposits for one-way containers and returnable containers.

And according to a report by Stupay, the impact of the laws varies dramatically for the two systems. In the two-tier states, returnables made large gains, but then the nonreturnables made a comeback and actually accounted for a higher share of sales after the law.

In single tier states, the negative effect on one-way bottles and cans is limited. In each state draught beer grew more popular.

Once the law goes into effect getting it repealed is difficult. In fact, bottlers in some states don't want it repealed after it goes into effect because of the cost factors involved.

In 1982 the industry spent an estimated $8 million to defeat the four referendums. Stupay believes the industry will try to diffuse the issue to avoid what he calls "an enormous waste of company funds."

"I think there's a thoughtful effort to diffuse the issue and find some common ground with the environmentalists," he said.

Stupay adds that forced deposits are bad laws and often misunderstood by the voters, but they are generally easy to get support for.

"People didn't fully understand it in New York state. The people were swayed by the environmentalists there. This is an easy issue to get consumer support for."

> ***Some other states could fall prey to forced deposit laws in the next couple years. The most likely candidates are New Hampshire and Rhode Island. . .***

Stupay said it's an easy way for legislators to attack pollution because it's basically a simple law.

"There's a certain amount of frustration on reaching a consensus on other issues like air and water pollution."

Joan O'Toole, director of public relations for the Can Manufacturers Institute, said she believes the November election signifies a trend away from forced deposit laws, but that doesn't mean the industry can forget about them.

"I think there will be states that continue to introduce bottle bill referendums, though, and I think we'll have to keep our eyes open," she said. "There is always a need to keep educating legislators and work on a grassroots level."

Stupay agrees. "New York's passage has put pressure on every other state," he said. "It's not dead as Washington and Colorado proved." Both states defeated the law for the second time this November.

"The law is very popular when you don't offer the public an alternative like a litter/recycling law," Downs said. "It makes for a tough political situation. In Michigan, we really didn't have an alternative to propose."

Downs said he knows of no active movement in any of the nine states with forced deposits to repeal the law.

John Leader, president of the Vermont Soft Drink Association, has lived with the law in his state since 1975.

"There's not any talk about repealing it. In fact, environmentalists are working on a plastic bottle bill now," he said.

"It's not going to change. If it did, it would cost us almost as much to go back as it did to change in the first place," he added.

"The kicker is that if you don't get the bottles back, then your cost goes up. But we've established a glass flow and it's all right," he said.

In addition, Leader said the law has slowed the rate of price increases. "The prices haven't gone down here, but they aren't going up as fast," he said.

Some other states could fall prey to forced deposit laws in the next couple years. The most likely candidates are New Hampshire and Rhode Island, plus New Jersey, Maryland and Minnesota to a lesser extent, according to Downs.

"New Hampshire and Rhode Island are surrounded by deposit states and I expect a big push there," he said.

As far as the possibility of a national forced deposit bill goes, Downs isn't too concerned about it now.

"I think the defeats in the four western states have probably put the brakes on a national deposit law at this time," he said.

Forced deposits: wins and losses

Forced deposit laws have been considered in all 50 states, but they have passed in only nine states and are in effect in just six. These are:

Legislative Action
Oregon— 1971
Vermont—1975
Delaware—1977*
Connecticut—1978
Iowa—1978
Massachusetts—1981
New York—1982

Referendum
Michigan—1976
Maine—1976

For every legislative victory, hundreds of deposit bills have been defeated since the late 1960s. In contrast, the referendum/initiative process, which is an option in about half the states, has been used 16 times in forced deposit history. The dates and results are:

Rejected
Washington State—1970
(511,248 for; 538,118 against) 48.8% v. 51.2%
Massachusetts—1976
(1,207,342 for; 1,228,051 against) 49.6% v. 50.4%
Colorado—1976
(346,342 for; 702,292 against) 33% v. 67%
Alaska—1978
(37,181 for; 61,677 against) 37.6% v. 62.4%
Nebraska—1978
(208,692 for; 276,538 against) 43% v. 57%
Ohio—1979
(722,120 for; 2,007,649 against) 26.5% v. 73.5%
Washington State—1979
(349,811 for; 472,822 against) 42.5% v. 57.5%
Montana—1980
(83,130 for; 205,629 against) 28.8% v. 71.2%
Arizona—1982
(223,705 for; 485,990 against) 32% v. 68%
California—1982
(3,281,803 for; 4,162,884 against) 44% v. 56%
Colorado—1982
(241,759 for; 705,923 against) 25.6% v. 74.4%
Washington—1982
(369,930 for; 891,157 against) 29% v. 71%

Approved
Maine—1976
(274,164 for; 200,200 against) 57.8% v. 42.2%
Michigan—1976
(2,154,215 for; 1,219,783 against) 63.8% v. 36.2%

Retained
Maine—1979
(36,103 for repeal; 200,229 against) 15.3% v. 84.7%
Massachusetts—1982
(790,966 for repeal; 1,142,566 against) 41% v. 59%

*The Delaware legislature removed the contiguous amendment in 1981 and the forced deposit law will take effect in January 1983.

Source: NSDA Legislative Handbook

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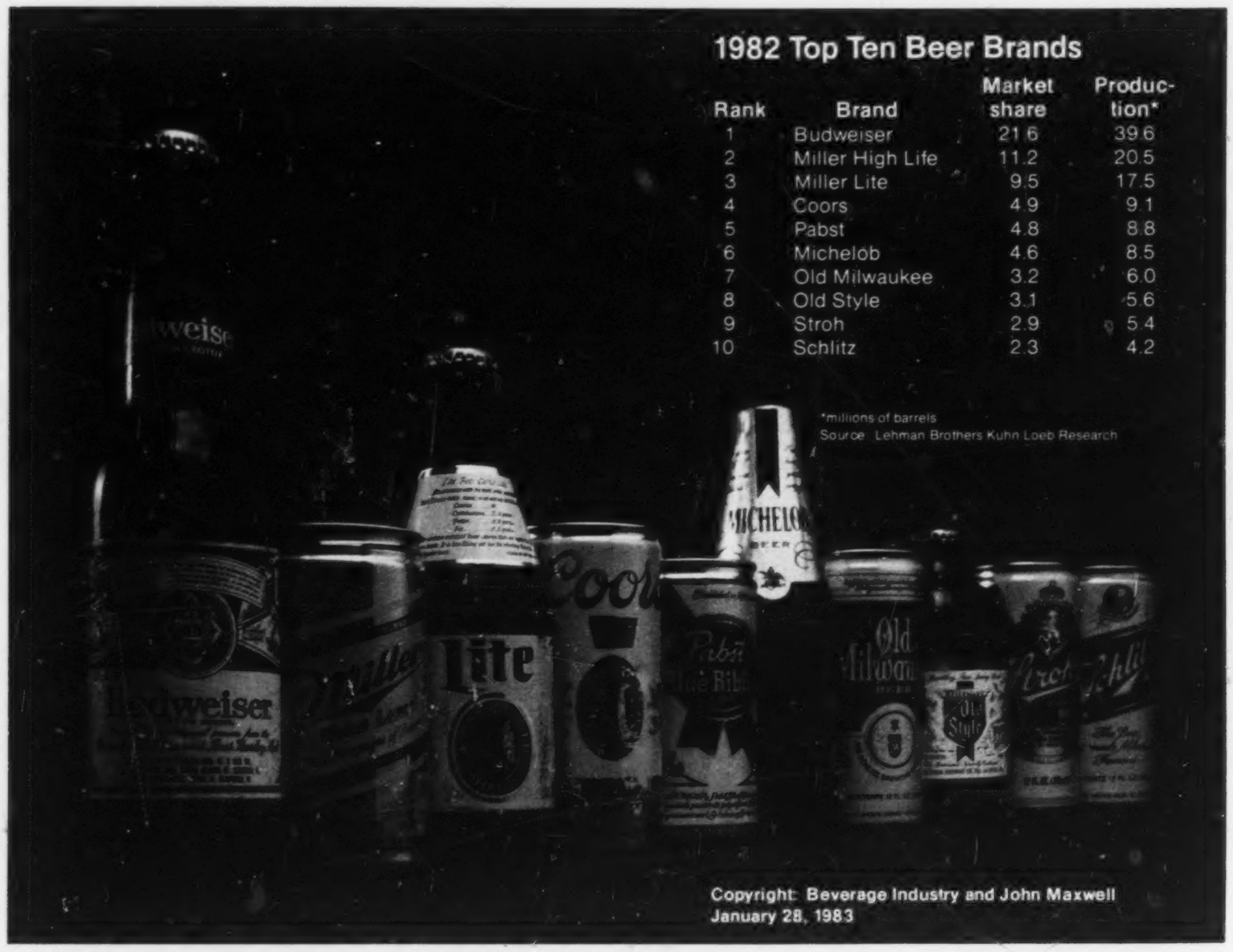
SOFT DRINKS ☐ BEER ☐ BOTTLED WATER ☐ WINE ☐ POWDERS ☐ JUICES ☐ SPIRITS   JANUARY 28, 1983

Beverage Industry

MARKETING ☐ DISTRIBUTION ☐ TECHNOLOGY   AN HBJ PUBLICATION



1982 Top Ten Beer Brands

Rank	Brand	Market share	Production*
1	Budweiser	21.6	39.6
2	Miller High Life	11.2	20.5
3	Miller Lite	9.5	17.5
4	Coors	4.9	9.1
5	Pabst	4.8	8.8
6	Michelob	4.6	8.5
7	Old Milwaukee	3.2	6.0
8	Old Style	3.1	5.6
9	Stroh	2.9	5.4
10	Schlitz	2.3	4.2

*millions of barrels
Source: Lehman Brothers Kuhn Loeb Research

Copyright: Beverage Industry and John Maxwell
January 28, 1983

Brewing industry has flat growth in '82

By Paul E. Mullins
Editor

SPECIAL REPORT—Year-end figures for the beer industry show that domestic production was up a scant 200,000 barrels in 1982 over 1981. Adding imports—one of the few growth areas—total industry sales were only up 800,000 barrels, an increase of .4%.

Reduced calorie beers, lights, were also one of the bright spots during the year. This segment went from 13.8% of the market in 1981 to 17.4% in 1982. As far as individual companies, Anheuser-Busch, up 8%, and Heileman, up 3.6%, were the only brewers to show gains.

According to BI's John Maxwell, director of research/statistics, the 1982 economy was a factor, "but the rate of increase in beer consumption has been slipping for years and demographics are also becoming rather adverse."

Furthermore, Maxwell projects that 1983 volume will also be flat. He has estimated that per capita consumption in 1985 will be 25.2 gal., an increase of only .6 of a gallon over 1982's 24.6.

Slowdowns in the growth rate of virtually all alcoholic beverages are anticipated. Maxwell, who has been tracking these industries for some 25 years, identifies several factors which are adversely affecting these drinks: lifestyles, government, and demographics.

"Lifestyle is moving increasingly away from alcoholic beverages and into such areas as soft drinks and bottled water. You can see it in your own home; at a cocktail party the guy who used to knock off a bottle of bourbon is now walking around with a soft drink in his hand," he comments.

Increasingly, he says, consumers are becoming more health conscious and this will have adverse ramifications not only for alcoholic beverages but for such items as sugar and salt. "The increases in light beer volume

(Continued on page 31)

Group warns about caffeine, alcohol usage

WASHINGTON, DC—A report to the government has reiterated the scientific community's growing concern about pregnant women's dietary habits, including alcohol and caffeine consumption.

"Alternative Dietary Practices and Nutritional Abuses in Pregnancy" recently released by the National Academy of Science's National Research Council advises that during pregnancy, women abstain from alcohol and consume caffeine in moderation.

The eight-member committee which authored the

(Continued on page 28)

NSDA: 'exempt industry from sodium labels'

WASHINGTON, DC—If the Food and Drug Administration's (FDA) voluntary sodium labeling proposal ever becomes mandatory, soft drinks should be exempt from listing their sodium contents, the industry maintains.

In comments submitted to FDA, the National Soft Drink Association (NSDA)

(Continued on page 26)

BI Week

- **Joyce Beverages has filed suit in New York to prevent Royal Crown from cancelling its franchise for RC and other products. Legal briefs claim that Joyce's signing (Nov. 22) franchise for Like does not violate the exclusive elements of the RC agreement. Joyce claims that if the "best efforts" clause in its RC agreement prevents it from handling a competitive decaffeinated cola product then that clause is**

(Continued on page 27)

The caffeine free cola/pepper market*
(In millions of 192-oz. cases)

Brand	'82	'83	'86
Pepsi Free	7.0	50.5	105.0
Sugar Free Pepsi Free	5.0	42.0	72.0
Like	2.7	17.0	50.0
Sugarfree Like	0.5	13.0	40.0
RC 100 (decaffeinated RC)	5.0	20.0	50.0
Sugarfree RC 100	38.0	46.0	75.0
Pepper Free[1]	—	17.0	45.0
Others	5.0	37.0	195.0
Total	62.2	248.5	632.0
% of total market	0.9%	3.9%	9.2%
% of cola/pepper market[2]	1.1%	5.2%	12.2%

*Estimated by Beverage Industry
[1] Pepper Free is sugar free, rollout date: January '83
[2] Assumes that the pepper/cola market share will remain a constant 75% during the period.

Sources: Security analysts' reports; Industry contacts

Copyright: Beverage Industry
January 28, 1983

De-caff colas, peppers 4% of today's SD market

By Paul E. Mullins
Editor

SPECIAL REPORT—Date the beginning of the caffeine-free cola market, April 1980. That was the month Royal Crown rolled out the first packages of RC 100, a decaffeinated, sugar-free cola.

The industry hasn't been the same since and will never be again. Today, RC 100 has sales in excess of 30 million and a small, but measurable, .5% of the total soft drink market.

Additionally, three of the top four franchise firms — Dr Pepper, Pepsi-Cola, and Seven-Up — now have caffeine free cola or Pepper en-

(Continued on page 21)

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Contents

Beer industry sales up only .4% in '82

In a special **BI** report, year-end figures show that domestic beer production was up by only 200,000 barrels in 1982 over 1981. Including imports, total industry sales increased only .4%. Import sales totalled 600,000 barrels.

According to **BI's** John Maxwell, director of research/statistics, the 1982 economy was a factor, but he contends the rate of increase in beer consumption has been slipping for years and demographics are also becoming "rather adverse." Maxwell projects sales in the coming years also, anticipating slowdowns in the growth of virtually all alcoholic beverages. See **page 1.**

Caffeine-free market analyzed in report

In another special report, **BI,** analyzes the recent caffeine-free entries into the soft drink market and their future. Also, several market analysts give their opinions of how successful they feel the market will be.

For example, one analyst told **BI** that the caffeine-free segment "will not have an additive effect on overall soft drinks sales, " but feels the real increase in total sales will come with the development of "good-tasting diet drinks." He cites the use of Aspartame and other nonnutritive sweeteners to provide pick up in sales. See **page 1.**

NSDA asks FDA for labeling exemption

The Food and Drug Administration has proposed voluntary sodium labeling, and if the proposal becomes mandatory, NSDA officials say soft drinks should be exempt from listing their sodium contents.

NSDA maintains that soft drinks not only contain insignificant, but varying amounts of sodium, which makes uniform labeling difficult.

NSDA also says sodium contributed by water can vary significantly depending on the geographical location and the time of year in which the product is produced, so they suggested that only those sodium levels be declared or beverages be permitted to label the total sodium content calculated from the level contributed by water.

FDA backs itself by maintaining the food industry's steps in reducing the sodium contents of its products and listing the sodium levels on labels. The agency recently listed Cadbury-Schwepps as producing a "no sodium added" soda water and Canada Dry has introduced a "salt free" seltzer water. See **page 1.**

Projections made for beer wholesalers

Michael C. Bellas, president, Beverage Marketing Corp., discusses the dramatic changes taking place at the brewery level of the U.S. beer industry and what effect these changes will have on the beer wholesaler level.

Eleven charts and tables back up projections that by 1990, surviving beer wholesaler operations will be significantly larger than today: one-half will have over $5 million in sales; one-fourth will have over $10 million in sales and almost 10% will have over $25 million in sales.

For information on Bellas' predictions, see **page 4.**

Fuel economy noted in BI's truck column

Thomas J. Bartlett, truck editor, writes about what manufacturers are doing to increase fuel efficiency for beverage delivery.

While many producers are pushing hard to get new products that save money into the marketplace, Bartlett says diesel engine suppliers are doing some of the "more exciting" work, stressing the importance of fuel efficiency because the fuel bill is the most expensive truck-operating cost.

For more information on DDA's new Intercity engine and other fuel economy suggestions, see **page 22.**

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JANUARY 28, 1983
Beverage Industry
MARKETING ☐ DISTRIBUTION ☐ TECHNOLOGY
AN HBJ PUBLICATION

Beer wholesaler sales concentration: Implications for the 80's and beyond

By **Michael C. Bellas,** President, **Beverage Marketing Corp.,** New York, NY.

This article was developed from a speech delivered at the NSDA Annual Meeting and International Beverage Industry Exposition.

All of us have read articles and heard discussions about the dramatic changes taking place at the brewery level of the U.S. beer industry.

. . .about how Anheuser-Busch and Miller with their large size and huge marketing and advertising programs have captured over 50% of the beer market and are aggressively seeking more;

. . .about how the acquisition of Schlitz by Stroh and most recently the tentative agreement between Heileman and Pabst have been undertaken in order to develop viable companies to compete with the two industry giants;

. . .about Coors' and other regional brewers' difficulties in attempting to maintain their market position and to expand geographically;

. . .and about the slowdown in growth projected for beer sales for the remainder of the decade;

What effect will these changes have on the beer wholesaling level of the industry?

Let us start with the historical development of the beer wholesaling industry. In order to obtain a clearer picture of what has been happening there, we may gain valuable insights by looking first at the larger universe of total alcoholic beverage distributors, both beer, wine and spirits operations. From this total overview, long term historical beer wholesaler evolutionary patterns can be more clearly focused.

Between 1948 and 1958, the total number of alcoholic beverage wholesalers in the U.S. grew from 6,954 to a peak of 7,689. There has been no growth since then. Indeed, the number has declined to the current level of 6,523, a loss of 1,166 establishments or 15% during this 25 year period.

During the first half of the decade, 1948 to 1958, there was a yearly growth rate of 1.3% for all alcoholic beverage wholesalers; the rate slowed in the later half of the period to an average of 0.4% per year. Since 1958, annual decline rates have averaged approximately 1% per year.

Table 1 categorizes the number of wholesalers separately by beer and wine and spirits; from this table we see significant differences. Note, for example, that both groups were growing in the period, 1948-1958. Since then, however, beer distributors have declined steadily — so much so that they give a negative growth rate to the industry as a whole. By contrast, wine and spirits distributors, with the exception of 1977, have been steadily increasing in number throughout this entire period — going from 1,553 in 1948 to 1,972 in 1982, an increase of over 700 establishments.

Table 1: Alcoholic beverage wholesalers by category (1948–1982)

Year	Beer	Wholesalers wine & spirits	Total
1982 (P)	4,551	1,972	6,523
1981	4,637	1,964	6,601
1980	4,713	1,920	6,633
1977	4,836	1,704	6,540
1972	5,114	1,751	6,865
1967	5,472	1,706	7,178
1963	5,788	1,701	7,489
1958	6,020	1,669	7,689
1954	5,904	1,662	7,566
1948	5,401	1,553	6,954

(P)—Preliminary
Source: Beverage Marketing Corporation
U.S. Department of Commerce,
Census of Wholesalers

Copyright: Beverage Industry and
Beverage Marketing Corp.,
January 28, 1983

The rate of decline for beer wholesalers has averaged slightly over 1% per year since 1958, however, that rate has accelerated during the last two years, reaching almost 2% in the 1981-1982 period. The opposite is true for wine and spirit wholesalers. They have been growing steadily since 1948 at about

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Drivers can help control truck maintenance costs

TULSA—Some 17 years ago, Beverage Products Corp., located here, started a distribution cost analysis program which has made it possible to control and reduce these expenses. The bottom line, according to John McFarland, fleet manager, is ". . . the driver can make the difference.

"But," he quickly notes, "that assumes the driver has good equipment underneath him."

Jim Wright, assistant fleet manager, adds, "And we have programs and systems for vehicles and drivers to insure both are top quality.

"Back in 1966, we developed a record keeping system to track all the maintenance, service, operation and fuel costs to come up with cost per mile of operating each vehicle in our fleet, just 400 units then.

"In 1973 the manual bookkeeping functions were gradually transferred to the computer. Then in 1976, we added a scheduling board to better track maintenance. Now this cost reporting system is tracking over 1,000 vehicles and giving us valuable information on their performance—as well as on our drivers."

On a monthly basis, the computer generates two reports. One shows each monthly charge per vehicle. The second report shows three different kinds of charges yielding the current cost per mile; the cost per mile, year-to-date; and fuel consumption. Each department involved gets a copy of this information.

Coupled with field inspections, this information guides management decisions on continuing a vehicle in service or replacing it. And since there is such a considerable data base for comparison, management can easily pinpoint those maintenance costs attributable to normal wear and tear as opposed to abuse or negligence. Maintenance costs and fuel consumption figures also permit management to monitor driver performance.

One decision that flowed out of the cost control data was to go with route trailers. So in 1978, the company began purchasing Hackney and Sons' 10.5 bay trailers. When the first ones came on line, drivers said they were easier to pull than competing makes. That aerodynamic ad-

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A Hackney and Sons' 10.5 Bay Trailer in Pepsi-Cola livery at Beverage Products Co., Tulsa, OK.

Brik Pak to construct packaging material plant

DALLAS, TX—Setting the stage for the development of a 400-acre industrial rail park, Brik Pak Inc. announced that a $40 million packaging plant, Phase I, will be built in Denton, TX. Construction on Phase I will begin immediately. The plant, which will consist of 210,000 sq. ft., will supply packaging material for aseptic Brik Pak filling machines used by the food and beverage industry.

The new Denton plant will be situated at the terminus of a 1½ mile rail spur. The Denton site was selected because of its central Texas location, its proximity to air and ground transportation and the availability of a professional work force. Phase I site development will include roads, employee parking areas, loading docks, a rail spur, perimeter security fencing and landscaping. The site has been master-planned for two additional manufacturing facilities.

The plant is scheduled to begin operation in the spring of 1984 and to be fully staffed and in full operation later that year. Featuring the most modern and efficient equipment available, the production activities will be computer-controlled. An automatic storehouse and in-plant carrier system are also planned.

Brik Pak Inc. is member of the international Tetra Pak group of companies which has 23 production factories worldwide. The firm specializes in aseptic packaging which allows liquid foods such as milk and juice to be stored without refrigeration.

Sunshine Water Co. announces three acquisitions

TAMPA, FL—Michael Cameron, president, Sunshine Water Co., announced the acquisition of three companies. They are: Dean's Water Service, Clearwater, FL; the Seminole Springs Water Co., Altamonte Springs, FL; and the Zephyrhills Water Co., Orlando, FL. All three companies will continue to provide their customers with Zephyrhills Bottled Water Co. products.

In addition, with the acquisition of the Seminole Springs Water Co., the Sunshine Water Co. acquired the distribution rights for Mountain Valley Bottle Water for the Orlando area.

Table 2: Alcoholic beverage producers market share—top 3 companies (1965–1981)

Year	Breweries (a)	Wineries (b)	Distilleries (c)
1981	59.9%	42.0%	35.0%
1980	58.6	43.2	36.0
1979	58.2	44.1	33.4
1978	56.8	43.7	—
1977	52.9	47.0	—
1976	48.1	47.0	—
1975	48.1	47.7	35.3
1974	46.3	47.0	—
1972	38.9	50.0	—
1970	34.6	50.0	33.0
1965	24.1	—	31.0

(a) Anheuser-Busch, Miller, Schlitz (b) Gallo, United Vintners, Almaden (c) Seagrams, Heublein, National Distillers

Source: Beverage Marketing Corporation; U.S. Brewers Association; Distilled Spirits Council, Impact, Wine Institute

Copyright: Beverage Industry and Beverage Marketing Corp., January 28, 1983

Table 3: Alcoholic beverage producers, by type (1948–1982)

Year	Breweries*	Wineries (bonded wine cellars)	Distilled spirits producers
1982 (P)	105	1,050	107
1981	104	1,021	110
1980	101	920	113
1977	95	703	96
1972	139	464	121
1967	176	428	150
1963	211	445	164
1958	252	527	193
1954	310	601	223
1948	466	798	300

P = Preliminary

*These are producing plants; there are actually 44 operating companies in the U.S.

Source: Beverage Marketing Corp., BATF

Copyright: Beverage Industry and Beverage Marketing Corp., January 28, 1983

Wholesalers

(Continued from page 4)

1/2% per year with a sharp increase in growth for the 1977-1980 period when the average reached a high rate of 3.1%. The rate of growth of wine and spirit wholesaler establishments, however, slowed in the 1981-1982 period to 0.4% per year.

The major factor behind the decline in the number of beer wholesalers has been the ever increasing concentration of market share at the supplier level among the leading breweries. Since 1965, the top three brewing companies have increased their combined shares from 24% to almost 60%. (Table 2) With a few exceptions, most of the remaining brewers have not only lost significant market share, but their total barrelage production has declined, and in some cases, very sharply. This supplier level concentration has meant that beer wholesalers without products of the leading breweries have had the difficult task of having to exist in an environment of ever increasing operating expenses with flat or declining sales.

supplier level

A different situation has occurred at the supplier level among the leading wineries and distilleries. Market share concentration for the top three companies has actually declined for wineries and has been flat for distilleries. Over the past decade, the combined market share of the top three wineries has dropped from 50% to 42%, while the top three distilling companies showed relatively flat share growth of from 33% to 35%. This lessening of sales concentration at the supplier level among the leading wineries has permitted many smaller wineries to grow and many new wineries to enter the marketplace. In this situation, wine and spirit wholesalers have prospered since they have had liberal access to new and growing wine brands to help cover their increasing operating expenses.

This increased concentration of beer sales in the leading breweries has also dramatically shrunk the number of breweries. (Table 3) In 1982, there are approximately 105 operating breweries in the U.S., down from 252 in 1958 and 466 in 1948. (Please note: I am talking only about beer producing facilities — there are only 44 actual brewing companies left in the U.S. today.) This has meant that there are fewer and fewer strong beer brands available to wholesalers with declining or flat sales.

By contrast, the growth in

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Only nature has had more experience with citric acid than Pfizer

Making the complex look simple is an art. Here, you see the art of a master engraver who has worked for months with the purest crystal.

His efforts delight the eye. Yet his subject, the orange and the stages in its growth, is greater than he. Oranges are one of nature's own masterpieces, evolved over countless eons. They create and protect, in lovely and fragrant form, that complex compound called Citric Acid.

Exactly how nature produces Citric Acid was long a mystery; the chemistry was too subtle, too sophisticated. But Pfizer was determined to solve that mystery, and set out to find ways to produce bountiful new supplies of Citric Acid through the natural process of fermentation chemistry.

It took us almost a generation of work, but it was done and done well. Today, Pfizer produces more Citric Acid than anyone in the world. Far more. And we have been working on Citric Acid longer than anyone else. With the sole exception of our teacher, Mother Nature herself. Pfizer commissioned this exquisite crystal piece in appreciation of the models she gave us.

Pfizer
CHEMICAL DIVISION

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Wholesalers

(Continued from page 9)

Table 4: Multiple alcoholic beverage wholesalers (1963 – 1982)

Year	Beer Only	Wine & Spirits Only	Beer, Wine & Spirits	Total
1982 (P)	3,441	862	1,110	6,523
1981	3,561	888	1,076	6,601
1980	3,693	900	1,020	6,633
1977	3,998	866	838	6,540
1972	4,347	984	767	6,865
1967	4,773	1,007	699	7,178
1963	5,126	1,039	662	7,489

P=Preliminary

Source: Beverage Marketing Corporation; U.S. Department of Commerce, Census of Wholesalers

Copyright: Beverage Industry and Beverage Marketing Corp., January 28, 1983

Table 5: U.S. beer wholesaler establishments ranked by sales size (1981)

Sales Range	Number	Cumulative number	% of total	Cumulative %
$50 Million or more	7	7	0.2%	0.2%
$25 to $50 Million	42	49	0.9	1.1
$10 to $25 Million	286	335	6.2	7.3
$5 to $10 Million	473	808	10.2	17.5
$3 to $5 Million	689	1,497	14.8	32.3
$2 to $3 Million	1,113	2,610	24.0	56.3
$1 to $2 Million	1,076	3,686	23.2	79.5
$500,000 to $1 Million	685	4,371	14.8	94.3
Less than $500,000(*)	266	4,637	5.7	100.0
Total	**4,637**		**100.0%**	

(*) Includes 2 unclassified companies

Source: Beverage Marketing Corporation

Copyright: Beverage Industry and Beverage Marketing Corp., January 28, 1983

the number of wine wholesalers has been fueled by the dramatic increase in the number of winery products available to them during recent years. Beverage Marketing Corp. projects that today there are approximately 1,050 bonded wine cellars owned by more than 800 wineries — well more than double the number in operation just ten years ago. The number of spirits producers has not changed significantly over the past ten years. However, please note the trend line is also toward concentration.

While all of these consolidations and liquidations have been taking place on the supplier side, there has been another development in the distributorship ranks. Table 4 shows that the number of beer wholesalings firms which have added wine has increased significantly. There were 662 such firms in 1963; in 1982 the number has grown to 1,110. The number has almost doubled in the 20-year period. This diversification of product has meant that these combination distributors can spread their operating costs over a greater number of brands and products.

Over half of the beer distributorships in operation in 1981 — that is 56.3% and 2,610 companies — had sales in excess of $2 million. (Table 5) Thirty-two percent, 1,497 firms, had sales over $3 million, and 17.5% or 808 distributors, had sales over $5 million. Slightly over 2,000, or roughly the bottom half of all firms, had sales of less than $2 million in 1981.

Table 6 shows just how concentrated the current U.S. beer wholesale distribution channels are. The top 335 firms, 7.2% of the total, all with volumes in excess of $10 million controlled well over one-third of the total beer sold in 1981, 38.2% to be exact. The top 17% of the companies, 808 all with volumes over $5 million, control about 60% of the industry. By contrast, those companies with sales below $2 million, 2,027 establishments or roughly the bottom 50%, controlled only 12% of the 1981 industry volume.

Table 7 dramatically illustrates that what has been happening at the brewery level — ever increasing sales concentration — is also happening quite rapidly at the wholesaler level. See how quickly the big have been getting bigger. In one year between 1980 and 1981, there was a dramatic increase, 50% in the number of operations in the $25 million to $50 million sales range. With the exception of those firms with sales of over $50 million, all company sales size categories of over $1 million showed increases. (The reason for the decline in the very top category was that two New York City beer wholesalers, both with volumes over $50 million, closed their operations due to transshipping, otherwise this category would have increased by 12% too.)

By 1990, surviving beer wholesaler operations will be significantly larger than today:

- *one-half will have over $5 million in sales*
- *one-fourth will have over $10 million in sales, and*
- *almost 10% will have over $25 million in sales*

The remaining establishments with sales below $1 million declined drastically. Between 1980 and 1981, the number of firms dropped 10.4% in the under $500,000 area and 17.4% in the $500,000 to $1 million category. Some of these firms below $1 million moved into the higher $1 million to $2 million group. Growth in this category was mainly aided by the gains of Anheuser-Busch and Miller wholesalers. If these were removed, the $1 million to $2 million group would also have shown a decline. All of us are aware of the factors affecting the dropout of these smaller firms; unionized delivery and warehousing, increased selling and merchandising expenses and higher administrative costs. These overhead expenses make it extremely difficult to operate profitably with sales under $2 million annually.

The same trends that are taking place nationally are also occurring in almost all regions of this country. These beer wholesaler establishments under $2 million showed significant declines with the depressed Great Lakes region showing the highest loss in one year, 10.9%, a rate that is almost 50% higher than the national average. Again, the under $2 million wholesalership losses by region are attributable to the Anheuser-Busch and Miller operations moving up to higher sales categories and smaller second and third tier brewers' wholesalers either merging or closing their doors. Additionally, it should be noted that all regions, with the exception of the New England area, which was flat, showed solid one year increases in the number of wholesalerships with annual sales of over $2 million.

Table 8 (see following page) analyzes beer distributors by their primary brands — Anheuser-Busch, Miller, Schlitz / Stroh's / Schaefer, Pabst/ Olympia, Coors, Heileman and all others — and by sales categories. Note that as you move from left to right across this exhibit, the percentage of a brewery's wholesalers under $2 million in 1981 sales, increases from 30% to 40% for Anheuser-Busch and Miller to more than 65% for "all others."

Most of the firms in the "all others" category will more than likely not be able to compete in the 1980's. They have primary brands that are expected to show low growth or declines and are below $2 million in sales. Those firms below $2 million in sales in the second tier of brewers are also highly vulnerable since these primary brands will have an increasingly more difficult time generating volumes to cover these companies' increased operating costs. Finally, Anheuser-Busch and Miller wholesalers — in all sales categories — are projected to enjoy above average industry growth and should remain viable during the 1980's.

Now let us look at the projected 1990 distribution channels. The recent increase in the rate of decline among beer wholesaler growth rates will moderately accelerate during the 1982-1986 period approaching a decline of 2.1% a year. (Table 9) During the last half of the decade, this declining rate will further increase slightly to 2.3% per year from 1986-1990.

The increased rate of decline is attributable to the ever-increasing levels of con-

Table 6: Beer wholesalers sales concentration (1981)

	Establishments			Sales Volume		
Sales Ranges	Number	Cum. No.	Cum. %	Amount (000)	Cum. Amt. (000)	Cum. %
$50 Million or more	7	7	0.2%	$ 385,000	$ 385,000	2.1%
$25 to $50 Million	42	49	1.1	1,575,000	1,960,000	10.7
$10 to $25 Million	286	335	7.2	5,005,000	6,965,000	38.2
$5 to $10 Million	473	808	17.4	3,547,500	10,512,000	57.6
$3 to $5 Million	689	1,497	32.3	2,756,000	13,268,500	72.7
$2 to $3 Million	1,113	2,610	56.3	2,782,500	16,051,000	88.0
$1 to $2 Million	1,076	3,686	79.5	1,614,000	17,665,000	96.8
$500,000 to $1 Million	685	4,371	94.3	513,750	18,178,750	99.6
Under $500,000 (*)	266	4,637	100.0	66,500	18,245,250	100.0
Total	**4,637**			**$18,245,250**		

(*) Includes 2 unclassified companies

Source: Beverage Marketing Corporation

Copyright: Beverage Industry and Beverage Marketing Corp., January 28, 1983

Table 7: Comparison of 1980 and 1981 U.S. beer wholesaler establishments

Sales Size	1980	1981	Change	% Change
$50 Million or more	8	7	−(1)	−(12.5)%
$25 to $50 Million	28	42	14	50.0
$10 to $25 Million	258	286	28	10.9
$5 to $10 Million	466	473	7	1.5
$3 to $5 Million	681	689	8	1.2
$2 to $3 Million	1,112	1,113	1	—
$1 to $2 Million	1,035	1,076	41	3.9
$500,000 to $1 Million	829	685	−(144)	−(17.4)
Under $500,000 (*)	297	266	−(31)	−(10.4)
Total	**4,714**	**4,637**	**−(77)**	**−(1.6)%**

(*) Includes 2 unclassified companies in 1981 and 20 in 1980.

Source: Beverage Marketing Corporation

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Table 8: Primary brand beer wholesaler sales analysis (1981)

	Anheuser-Busch		Miller		Stroh/ Schlitz/ Schaefer		Pabst/ Olympia		Coors		Heileman		All Others		Total U.S.	
Sales Size	**No.**	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**
$50 Million or More	4	0.4	1	0.1	—	—	—	—	1	0.4	1	0.2	—	—	7	0.2
$25 to $50 Million	17	1.6	15	1.7	7	0.8	—	—	2	0.8	—	—	1	0.2	42	0.9
$10 to $25 Million	86	8.0	103	11.8	34	3.8	25	3.9	18	7.2	11	2.5	9	1.9	286	6.2
$5 to $10 Million	128	11.9	113	12.9	99	11.0	59	9.3	20	8.0	30	6.9	24	5.1	473	10.2
$3 to $5 Million	180	16.8	147	16.8	129	14.4	97	15.3	38	15.3	55	12.7	43	9.1	689	14.8
$2 to $3 Million	230	21.4	230	26.3	234	26.1	160	25.3	78	31.3	94	21.6	89	18.4	1,113	24.0
Subtotal—Over $2 Mil.	645	60.1%	609	69.6%	503	56.1%	341	53.8%	157	63.0%	191	43.9%	164	34.7%	2,160	56.3%
$1 to $2 Million	226	21.0	157	17.9	229	25.5	169	26.7	59	23.7	109	25.1	127	26.8	1,076	23.2
$500,000 to $1 Million	165	15.4	87	9.9	119	13.3	86	13.6	27	10.9	96	22.1	105	22.2	685	14.8
Less than $500,000	38	3.5	23	2.6	46	5.1	37	5.9	6	2.4	39	8.9	77	16.3	266	5.7
Subtotal—Under $2 Mil.	429	39.9%	267	30.4%	394	43.9%	292	46.2%	92	37.0%	244	56.1%	309	65.3%	2,027	43.7%
Total	**1,074**	**00.0%**	**876**	**100.0%**	**897**	**100.0%**	**633**	**100.0%**	**249**	**100.0%**	**435**	**100.0%**	**473**	**100.0%**	**4,637**	**100.0%**

Source: Beverage Marketing Corporation

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Table 9: Beer wholesaler establishments

Year	Number	Annual Change	Average Annual Growth Rate
1990	3,750	−(100)	−(2.3)
1986	4,150	−(100)	−(2.1)
1982	4,551	−(86)	−(1.9)
1981	4,637	−(76)	−(1.6)
1980	4,713	−(41)	−(1.2)
1977	4,836	−(56)	−(1.1)
1972	5,114	−(72)	−(1.3)
1967	5,472	−(79)	−(1.3)
1963	5,788	—	

Source: Beverage Marketing Corporation

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Table 10: Projected beer wholesaler establishments ranked by sales size (1981-1990)

Sales Range	1981	1990	Change Amount	Change %	1990 Cum. % of total
$50 Million or more	7	50	43	614.3%	1.3%
$25 to 50 Million	42	300	258	614.3%	9.3
$10 to 25 Million	286	500	214	74.8	22.6
$5 to 10 Million	473	1,000	527	114.2	49.3
$3 to 5 Million	689	1,100	411	59.2	78.6
$2 to $3 Million	1,113	550	−(563)	−(50.6)	93.3
Under $2 Million	2,027	250	−(1,777)	−(87.7)	100.0
Total	**4,637**	**3,750**	**−(887)**	**−(19.1)%**	

Source: Beverage Marketing Corporation

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centration anticipated in the brewing industry. Industry analysts see Anheuser-Busch approaching at least a 40% market share by 1990, with Miller Brewing closing in on a 28% to 30% share. Finally, a strong Stroh/Schlitz could claim a 12% to 15% share. These top three brewers could jump from a 60% share in 1981 to as high as an 80% share in 1990. This increased share would intensify the difficulty of wholesalers without these brands to generate needed sales to cover their operating costs.

Wholesalers operating costs will also be continually increasing during the coming decade as brewers require their franchised distributors to operate with:

- increased preselling manpower
- more local participation in TV, radio, and promotional activities
- more product merchandising and display activity
- higher costing, controlled environmental warehouses
- more automation of their office and warehouse procedures

These cost factors will accelerate the consolidation of the marginal major brand wholesalers, and force the closing of many small, secondary brand distributors. It is also important to note that these projections assume that transshipping of beer does not become a more significant factor. If it does, the projected loss of beer distributors would have to be adjusted significantly higher.

By 1986, the number of U.S. beer wholesalers will have dropped to 4,150, with losses of approximately 100 firms a year. This loss of 100 per year will continue from 1986 to 1990, when the number of beer wholesalers in the United States will be about 3,750. During the next eight years, the industry will decline by almost 900 individual beer wholesalers, or approximately 20% of the companies.

By 1990, surviving beer wholesaler operations will be significantly larger than today:

- one-half will have over $5 million in sales
- one-fourth will have over $10 million in sales, and
- almost 10% will have over $25 million in sales

The number of beer wholesalers under $2 million in sales will decline by 87.7% to a projected 250 establishments. (Table 10)

Most of the current Anheuser-Busch and Miller wholesalers in this smaller sales group will advance to the higher sales categories, or be bought by contiguous Anheuser-Busch and Miller distributors. Most of the remaining distributors in this smaller sales category will either:

- sell out to other distributors in the local market
- merge with contiguous distributors with similar brands, or simply
- go out of business

Beverage Marketing Corp. estimates that the national wholesale beer dollar volume should reach almost $36.4 billion dollars by 1990. (Table 11) Beer wholesaler sales concentration will be significantly higher by 1990. The top 850 companies, those with volumes over $10 million, 22% of the total, will control 63% of the industry volume, approximately $23 billion dollars. The top 1,850 establishments, those with volumes over $5 million, 50% of the total, will control 83% of the total U.S. wholesaler sales. That is $30.4 billion of a $36.4 billion industry! By comparison, this group controls in 1982 only $10.5 billion.

Finally, let us speculate on what some of these increased sales concentration levels will mean to the beer wholesaling industry for the 1980's and beyond.

First, as the beer wholesaler industry becomes more concentrated and more and more dominated by larger and larger companies, the large beer wholesalerships will be increasingly managed by professional beverage industry managers, quite similarly to the professional managers operating many of today's large soft drink bottling and canning operations. The era of the small, and of the family-run beer wholesalership will be largely over by the end of the decade. These large wholesalerships will utilize computerized monitoring systems for ordering, sales analysis, internal auditing, and routing. They will also need large capital budgets in order to operate fully automated CEW warehouses and for the sophisticated efficient and more expensive delivery vehicles of the late 1980's.

Second, the number of beer wholesalers per metropolitan trading areas will decline sharply. In large metropolitan markets, there will be roughly four wholesalers — one for Anheuser-Busch, one for Miller, one for the strongest second tier brewer, and a fourth for "All Others." In smaller markets, there will be at most three wholesalers — one for Anheuser-Busch, one for Miller, and maybe a

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Table 11: Projected beer wholesaler sales concentration (1990)

		Estimated Wholesaler Sales Volume		
Sales Range	**Projected Number of Establishments**	**Amount (Millions)**	**Cum. Amount (Millions)**	**Cum. %**
$50 Million or more	50	$ 2,875	$ 2,875	7.9%
$25 to $50 Million	300	11,250	14,125	38.8
$10 to $25 Million	500	8,750	22,875	62.8
$5 to $10 Million	1,000	7,500	30,375	83.4
$3 to $5 Million	1,110	4,400	34,775	95.5
$2 to $3 Million	550	1,375	36,150	99.3
Under $2 Million	250	250	36,400	100.0
Total	**3,750**	**$36,400**		

Source: Beverage Marketing Corporation

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Wholesalers

(Continued from page 30)

third for "all other brands." Because of the reduced number of wholesalers, product availability in these smaller markets will be restricted. Increasingly in these small markets, the smaller Anheuser-Busch and Miller wholesalers will also become subsidiaries of the large, nearby metropolitan wholesaler."

Third, the large national brewers, especially Anheuser-Busch and Miller Brewing, because of their dominant, well-financed, efficient and profitable wholesaler networks, will enjoy a substantial competitive advantage over their rival brewers. Because of their large size, Anheuser-Busch and Miller wholesalers will be able to cost justify large marketing staffs and to give more specialized attention to key selling functions. Since most of the remaining wholesalers, for viability reasons, will be representing a number of relatively smaller brewers, they will not be able to spend a concentrated effort on any one brewer's product line. If, as Anheuser-Busch has stated ("the battle ground of the 1980's will shift from TV to the front line wholesaler sales efforts") they will be well equipped to do battle.

Fourth, new product entries will be sharply limited. The large national brewers and importers will be able to readily introduce new products, which may even include non-beverage products, through their well-established wholesaler networks. Other small brewers and importers, however, will find it difficult to find wholesalers with the strength to give their brands any real clout in the marketplace. They may only be successful by further segmenting the market and introducing products in previously unexploited segments and thus attaching themselves in a non-competitive way to existing distribution networks. In the past, these unexploited market segments have included ales, malt liquors, and imported beers In the future, it may be a beer that appeals to a specialized population segment, or it may be a beer with a strong specific regional attraction.

Additionally, smaller brewers and importers struggling for adequate distribution and merchandising for their products will be looking at other approaches for getting around the problem of finding capable wholesalers to handle their products.

- Some will try selling their products through the wine and spirit wholesalers networks.
- Others will approach the soft drink bottler and distributor networks in order to obtain some type of distribution.
- Additionally, I am also sure that there will be increased pressures for many of these smaller brewers to by-pass the wholesaler network and to deal directly with large retail accounts.

Finally, the vulnerable smaller second and third tier wholesalers must find ways of accommodating to the cost efficiencies and realities of the marketplace.

They will have to put together product lines which will include some "strange bedfellows" in order to have case volumes sufficient to be viable. These wholesalers may have to carry, in addition to several medium and smaller brewers' products, bottled waters, soft drinks, snacks, wines and other complimentary products.

These wholesalers may also have to consider a "shared warehouse", i.e. one in which two wholesalers are housed in one building, but maintain separate selling, merchandising, and record keeping identities.

Additionally, these wholesalers may also have to consider either common or alternating delivery operations with other wholesalers, but again maintaining separate preselling, merchandising, and record keeping identities.

In the final analysis, of these smaller wholesalers, only the dedicated, flexible and innovative will survive.

Germany site of PET conference

DUSSELDORF, W. GER.—The 4th International PET Bottle Conference will be held here two days before the opening of the K'83 Exposition on Oct. 3 and 4.

The scope of this year's conference will include polypropylene and polyvinyl choride containers. Also included in the program is the upcoming generation of PET cans, introduced by Sewell (U.S.), Plastona (U.K.) and Thermoforming (Italy).

Newest developments in equipment, materials, techniques and applications will be presented, highlighted by information on practical market experiences of the industry, and distribution.

Call for papers is now open: abstracts of about 200 words are requested no later than Jan. 31, 1983. Suggestions should be sent to Drs. Guido de Craene, Rigi-Media, Lambrechtshoekenlaan 12, B-2060 Merksem.

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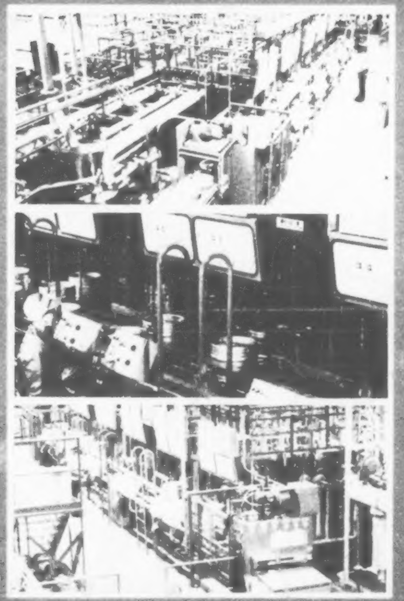

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Survival is priority for beer wholesalers, brewers: Katz

By Philip C. Katz, senior vp-research,
United States Brewers Assn.

***Editor's note:** This article is an adaptation of a presentation by Philip C. Katz given at the recent NBWA meeting. His remarks have been edited to conform to **Beverage Industry** style.*

In order to assess the priorities of the brewing industry and beer wholesalers specifically next year and in the 1980's, we went to the experts for their opinions. Within the past month we circulated a questionnaire to individual state beer wholesaler secretaries asking for their opinions on the problems and issues they view as critical for their members.

Before reviewing the results of that questionnaire let's review the past in order to set things in perspective. Ten years ago, what would be viewed as critical industry problems and beyond that what marketing and economic trends which should be considered?

First of all, there would have been more of us around in the early 70's. Today, there are 44 brewing companies and 91 plants. Ten years ago there were 78 companies and 147 plants. Similarly, and almost of necessity, there are fewer beer wholesalers. Today, there are approximately 4,600 and in 1972 there were over 5,000. There is no need to go into detail over the reasons for the decline, they are well known to anyone in the industry.

Most geographic regions have felt the impact of concentration in numbers. The Northeast has seen a decline of some 327 wholesalers or 27% while the South recorded a change of 4%, the Midwest 170 or 10% and the Far West an increase of 50 wholesalers. One other aspect of the distribution system, the retailing segment, has declined in overall outlets, increasing concentration of sales in food chains particularly.

The primary problem of the brewers, wholesalers and retailers in the 1970's as it turned out was survival and this will continue to be the priority in the 1980's as well. Survival, however, is dependent on two things: one, those things which an individual or firm cannot control or influence and two, factors which can be affected by action or inaction.

Let's address those areas which can contribute to survival and which wholesalers can, by their own actions or those of their companies, influence.

market growth

The first area to consider in assessing the industry in the past 10 years is the overall market or industry growth. Obviously, survival is not directly related to overall industry sales but is certainly more likely in an expanding market than one which is contracting.

From 1972 to 1981, the entire beer market in the U.S. increased by 40% or a little over 50 million barrels. Of that 50 million barrels gain, the South Atlantic states had the greatest share of the increase, some 10.5 barrels or 21%. The second highest area in achieving consumption gains was the West South Central states of Arkansas, Louisiana, Oklahoma and Texas which increased by about 9 million barrels and had 18% of the entire country's increase. In third position was the Pacific Coast states of Washington, California and Oregon with 17% of the nation's gain in consumption, almost 9 million barrels.

Because of the population growth and changes what happened to these regions in terms of the percent gains of each by comparing the barrels sold in each region in 1972 and 1981 and see how they rate in percent growth.

While the South Atlantic states had the greatest increase in barrelage over that period it did not have the largest percent gain. That honor fell to the West South Central area and the Mountain states which both saw a 70% increase in sales. This compares with the national average of 40%. The region with the smallest growth in this period was the Middle Atlantic states which were up by only 15%.

Incidentally, the state which has had the greatest percent increase in consumption in the last ten years has been Wyoming followed

(Continued on page 14)

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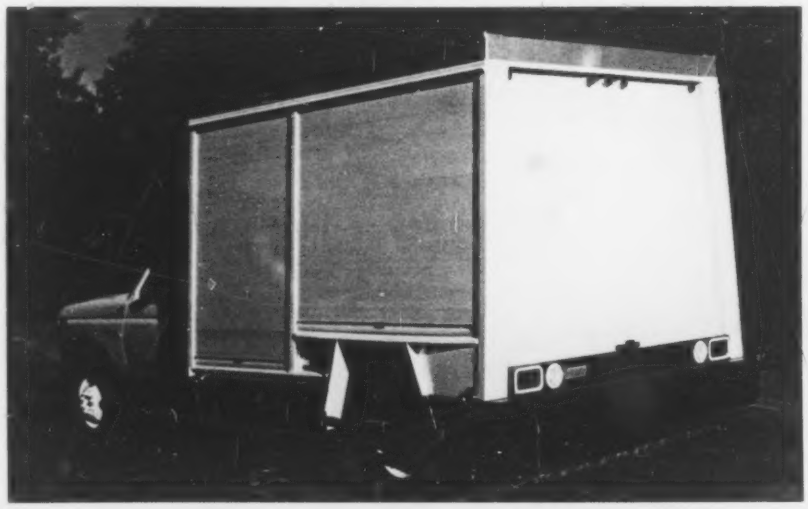

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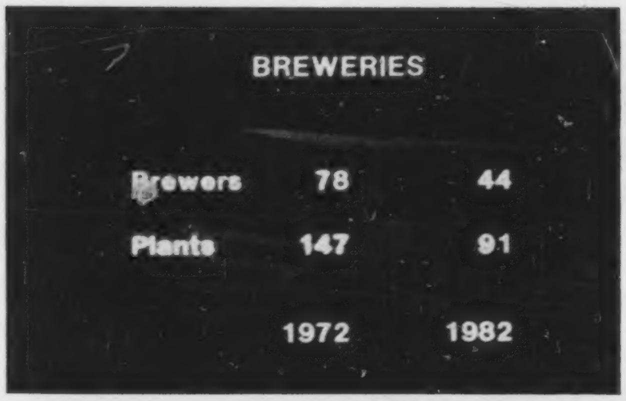
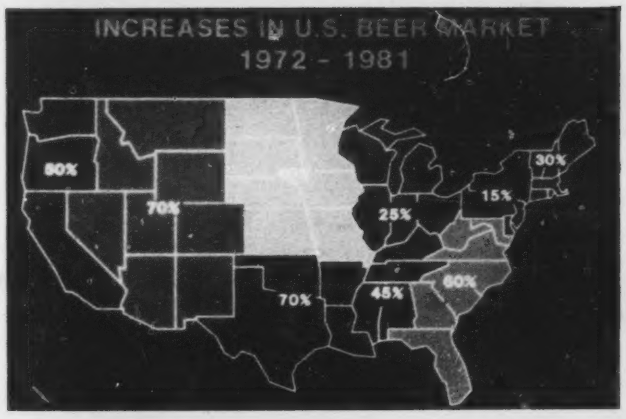
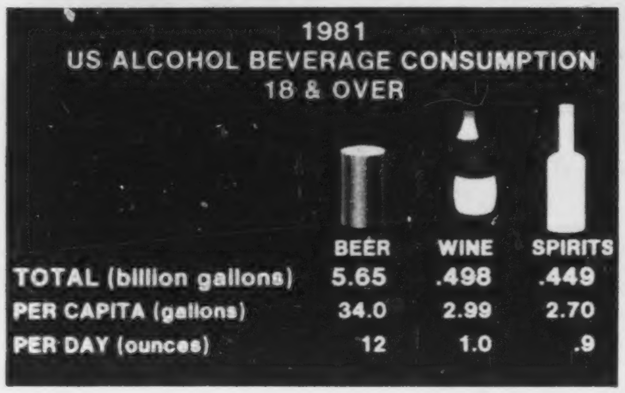


BREWERIES

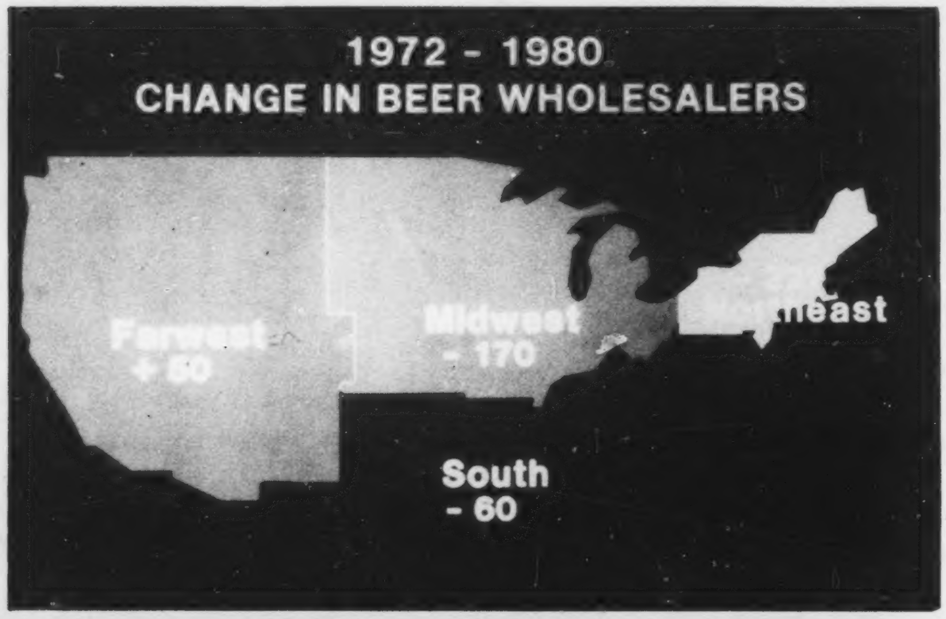
	1972	1982
Brewers	78	44
Plants	147	91

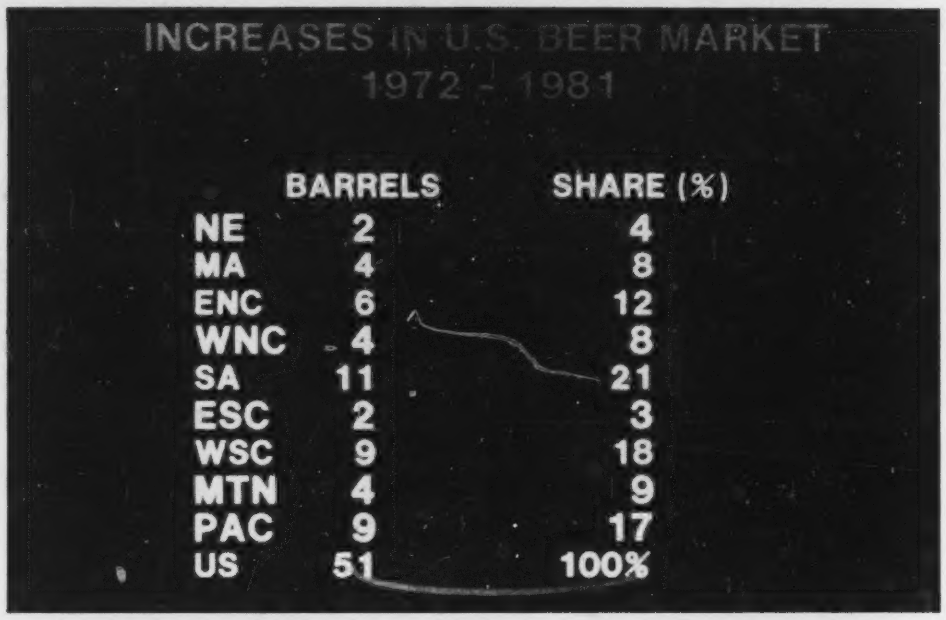




1981
US ALCOHOL BEVERAGE CONSUMPTION
18 & OVER

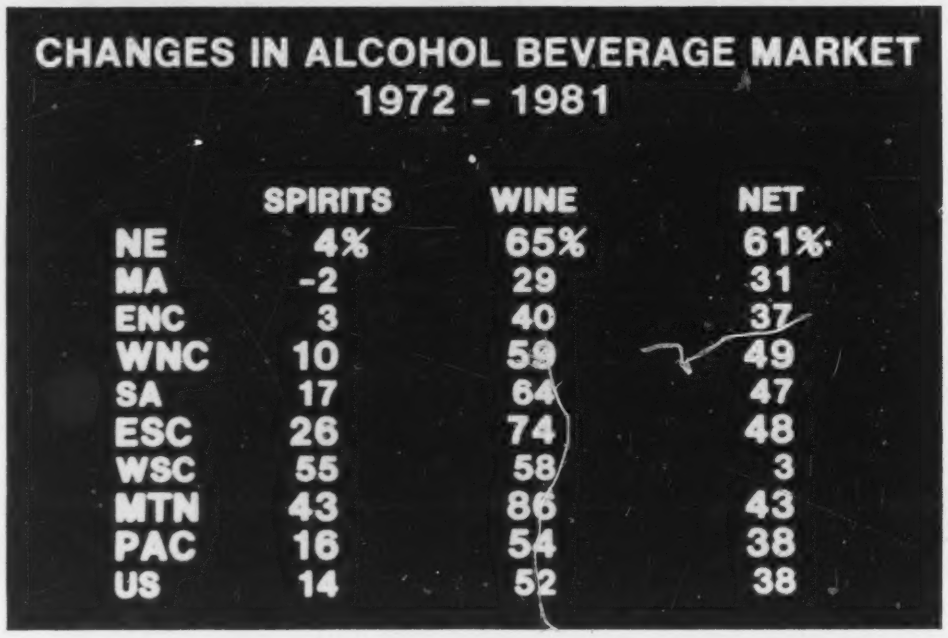
	BEER	WINE	SPIRITS
TOTAL (billion gallons)	5.65	.498	.449
PER CAPITA (gallons)	34.0	2.99	2.70
PER DAY (ounces)	12	1.0	.9





INCREASES IN U.S. BEER MARKET
1972 - 1981

	BARRELS	SHARE (%)
NE	2	4
MA	4	8
ENC	6	12
WNC	4	8
SA	11	21
ESC	2	3
WSC	9	18
MTN	4	9
PAC	9	17
US	51	100%



CHANGES IN ALCOHOL BEVERAGE MARKET
1972 - 1981

	SPIRITS	WINE	NET
NE	4%	65%	61%
MA	-2	29	31
ENC	3	40	37
WNC	10	59	49
SA	17	64	47
ESC	26	74	48
WSC	55	58	3
MTN	43	86	43
PAC	16	54	38
US	14	52	38

Katz

(Continued from page 10)

closely by Nevada and Alaska. The three states which have had the smallest increases are Rhode Island where only 6.1% more beer is being consumed now than in 1972, followed by Michigan with its deposit law and New York up only 11%.

A further aspect of industry growth is comparisons with beverages which compete directly with beer. In a sense, of course, every project, both durable and nondurable, competes in the market place for the consumer's dollar but let us consider the overall and regional changes in distilled spirits and wine consumption over the years. A number of distributors carry wine as well as beer and it might be interesting to see how the competing products have fared.

In the case of wine overall wine sales have increased in this country by about 52% in the past ten years. Distilled spirits sales have increased in that same period by 14% and as a result, in 1980 for the first time, wine consumption in the U.S. went ahead of distilled spirits sales.

In New England, while distilled spirits consumption increased over the past 10 years by 4%, wine sales were up by 65%. Similarly, collectively in the states of New Jersey, New York and Pennsylvania, liquor sales declined between 1972 and 1982 by 2.5% while wine sales went up by about 30%. In every section of country except one there has been a much greater increase in wine sales than in distilled spirits consumption. The greatest differential has occurred in the New England states which has a spread of 61%; that is, when the 65% wine increase is compared with distilled spirits 4% gain there is a difference of 61 percentage points. However, on the other hand, in the West South Central states there is a difference of only three percentage points. Distilled spirits sales went up by 55% compared to the national average of 14%. Wine sales went up slightly more there than did liquor sales with a 58% gain.

There are two other aspects of this competing beverage analysis to consider before reviewing its relationship with one of the gravest problems the brewing industry faces, taxation.

First, one might receive the impression that wine sales are going out of sight, beer sales are not far behind and the distilled spirit business is relatively weak. While the data generally supports this, the physical volumes involved and the dollar value must be taken into account.

In 1981, the volume of beer consumed in the United States was 5.65 billion gal. and this compares with wine consumption of not quite one half billion and distilled spirits with 449 million gal. Thus, beer volume is about six times the volume of spirits and wine together. Put another way, the per capita consumption of beer is a little over 24.6 gal. and wine and spirits together a little over 4 gal. a year. On a per drink basis, the 18 and over population averages one 12 oz. serving of beer per day and about 1.5 oz. of spirits and wine combined.

The wholesale dollar value of beer compares well with that of distilled spirits and wine. According to Beverage Marketing Corp., the U.S. wholesale sales of beer in '81 was $18.3 billion and wine and spirits together are estimated to be between $16 billion and $17 billion.

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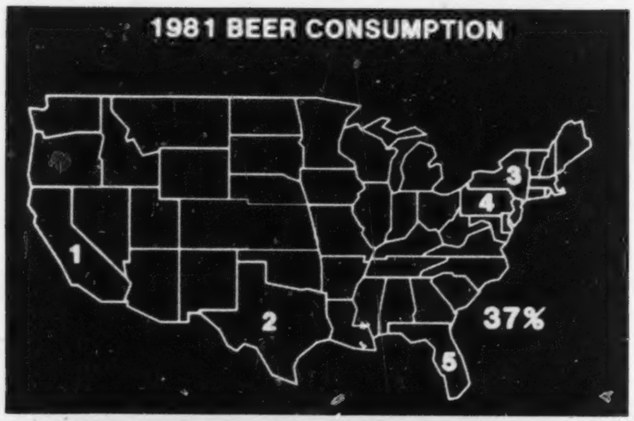

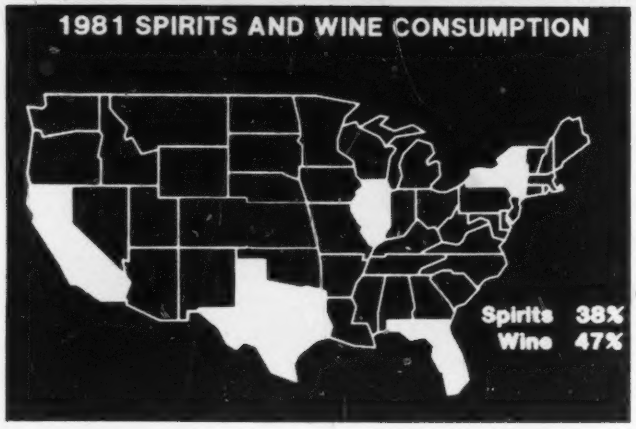

Katz

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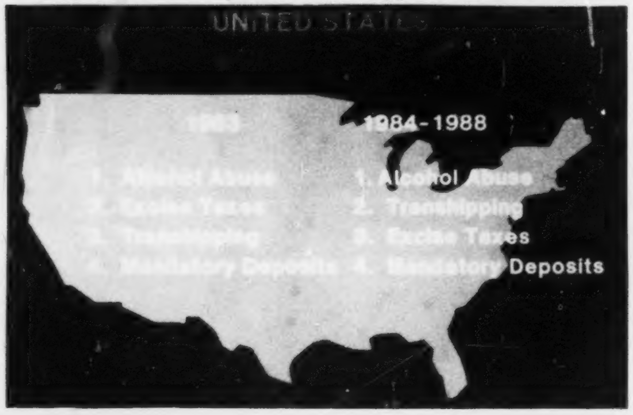
A final consideration in viewing the alcohol beverage market is the concentration in sales in terms of the various states and again in this area beer is the best performer although the distilled spirits figures are very close.

Thus, in 1981 the top five states in beer consumption were California, Texas, New York, Pennsylvania and Florida and together they accounted for 37% of the total country. For spirits, the top five states accounted for 38% of sales and in this instance Illinois is included rather than Pennsylvania. In regard to wine, however, it is quite different. The top five states account for almost half of all the nation's wine sales and the wine ranking is exactly the same as spirits'.

problems of '80's

In order to assess the priorities and problems of the brewing industry in 1983 and later years, USBA went to close to fifty state beer wholesaler association chief executives for their opinions. USBA has traditionally prepared its own evaluations based on anticipating political and social trends with a very good record in this regard. For example, in the late 1960's, USBA advised the industry of the problems it faced in regard to litter and the resulting threats on mandatory deposits which at that time were virtually unheard of. The legislative and referenda activity of the 1970's and 1980's bears out this concern.

State representatives were asked to respond to two questions. First, they were asked to rank, for their own state, the issues which will be of greatest importance to their beer wholesaler members in 1983. Five items to select were listed as well as a blank space where they could write in their own. The listing shows excise taxes, including earmarking, transshipping and exclusive territories, alcohol abuse as a broad category including underage drinking and drunk driving, fourth mandatory deposits and finally, threats to the three tier system which could include direct sales from supplier to retailer. This same list appeared in the second question but for the period 1984-1988.



We also did a geographical breakdown of each response to determine if there were patterns in regard to these issues throughout the country.

Overall return for this questionnaire was excellent. Responses were received from close to 90% of the states and there was a high return rate from all of the regions.

In the Northeast, transshipping problems rated number one on the list followed by alcohol abuse and mandatory deposits. In subsequent years it is expected that transshipping and alcohol abuse will be equally difficult areas followed by mandatory deposits.

In the South association representatives feel that in 1983 excise taxes and alcohol abuse rate equally as major problems. Transshipping and mandatory deposits are tied for the next place. Similarly, in the subsequent years excise taxes and alcohol abuse are tied for first and transshipping is next followed by mandatory deposits.

In the Midwest in 1983, the leading area of difficulty is expected to be alcohol abuse followed by excise taxes and transshipping. Mandatory deposits ranks last. In later years alcohol abuse is anticipated to be the prime area followed by transshipping and threats to the three tier system and lastly excise taxes.

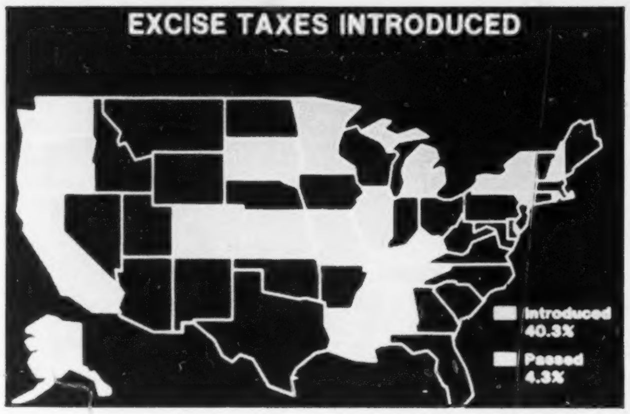
Finally, in the Far West excise taxes rank number one next year followed by alcohol abuse with mandatory deposits and transshipping and other three tier system threats. In years beyond, alcohol abuse ranks first followed by a tie between excise taxes and threats to the three tier system.

It is quite clear from this analysis that there are considerable differences between the regions in the coming year and then later in the 80's. In the Northeast the major concern is transshipping and the threats to the three tier system while in the South excise taxes and alcohol abuse stand out. Alcohol abuse is of much greater concern in the Midwest next year than in the Far West which views excise taxes as the chief concern.

national concern

Nationally the association executives rank alcohol abuse overall as the greatest problem facing the industry followed closely by excise tax threats and then transshipping. Mandatory deposits rank further down on the list.

In the years 1984-1988 these same people view alcohol abuse as number one followed by transshipping and other related three tier system problems. Excise taxes rank a close third followed by mandatory deposits with less backing.



In regard to excise taxes and earmarking, the dangers are very real and current. In 1982 in the various state legislatures there have been 19 bills introduced to raise the excise tax on beer. In addition, there have been 22 bills which would earmark the increased revenues for various purposes including prison rehabilitation, alcoholism, and services to the aged. Many of those bills are pending or will be reintroduced in 1983.

Likewise, there has been activity this year in regard to taxes at the federal level and the future needs for increased revenue and a balanced budget. The pressures will increase both at the federal and state levels due to the respective revenue requirements and the brewers, wholesalers and suppliers must see to it that our position is heard. Most industry representatives would agree that the greatest single threat in this regard is the concept of absolute alcohol taxation. For those of you who may not be familiar with this concept, let me explain.

Absolute alcohol taxation has been introduced and discussed in Canada and there have also been bills introduced here in Maine, California and Illinois as well as discussion in the House Ways & Means Committee and Senate Finance Committee. It will no doubt be introduced in many states in 1983 and possibly at the Federal level.

A diverse number of groups have advocated taxing all alcohol beverages based on the ethanol contained in each beverage type. This approach represents a radical shift from traditional taxing policy in this country and most nations in the world and would result in drastically higher taxes on malt beverages and wine.

For example, if the tax on beer at the federal level was based on an absolute concept, instead of 65 cents per case it would be $2.22 a case, over three times as high. Similarly, in California the excise tax per case would go from 9 cents to 42 cents or an increase of 367 percent. In Oklahoma, which presently has a very high tax rate on beer, it would still go up by 16 percent. You can imagine the impact upon the industry and more importantly, the consumers when mark-ups through the distribution chain are added.

Another of the items ranking high on the list of problems and priorities in the states is that of alcohol abuse including underage drinking and drunk driving. This critical problem of alcohol abuse ties in with the excise tax threats as it is not difficult to imagine that when a problem is recognized and revenue subsequently required, where the legislatives will be looking.

Association executives rank alcohol abuse overall as the greatest problem

In this regard, a report issued last year by the U.S. Department of Health and Human Services attributes a cost of close to $50 billion in 1977 to alcohol abuse in this country. These costs include both direct and indirect costs of the problem such as accidents, mortality, hospital care and so on.

Another factor in this regard is what has been happening to the minimum drinking ages throughout the states. This has been receiving a great deal of media attention lately and we thought you might be interested in just what the trends have been.

In the past 10 years, the states have flip flopped on minimum drinking ages. As the chart (next page) indicates, in 1970, there were some 40 states in which the minimum age for beer drinking was 21 and over. (In some instances this material has been interpreted as there are differences for on premise and off premise drinking ages.) Nevertheless, in 1970 approximately 83% of the beer consumed was in states which had the 21 and over age requirement.

Contrast this with the situation in 1975. At that time

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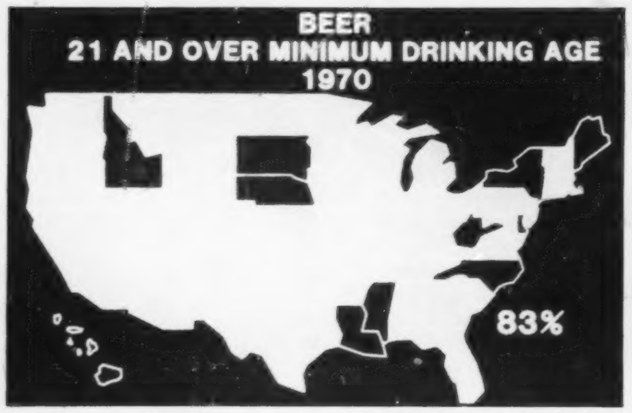
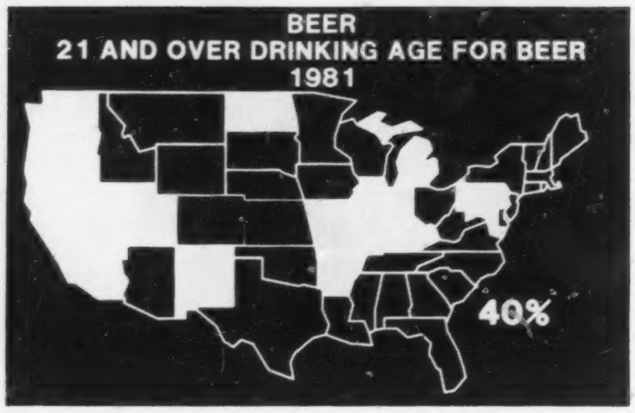

BEER
21 AND OVER MINIMUM DRINKING AGE
1970


BEER
21 AND OVER DRINKING AGE FOR BEER
1981

there were 12 states in which the requirement was 21 and over and the share of the total market represented was down to 27%. Finally, let us look at the situation last year, as many of the states recently passed laws which have raised the drinking age back to 21. In 1981, there were 16 states which required 21 and the share was almost up to 40% of the total beer consumed in this country.

Thus, there have been some rather dramatic changes in this country in the past ten years in the social and political views on the minimum drinking age. Most observers would agree the pressures in the coming years will be toward raising rather than lowering.

deposit laws

Another of the issues which state wholesaler executives foresee as critical in coming years is mandatory deposits. Indeed, within the next two weeks, voters in four states; California, Washington, Arizona, and Colorado will be deciding this issue at the polls. If those states elect to go that route then in the coming year approximately 35% of the beer sold in the U.S. will be under mandatory deposit conditions. If none of those states approve that measure then the figure next year will be 18%.

The difficulties of handling shipping and selling beer under a mandatory deposit system are well known. A few years ago NBWA, through Midwest Research Institute, prepared a detailed study relating to wholesaler costs for such a system. Other studies have shown the cost impacts on brewers and retailers as well. Clearly, at this point the evidence is unquestionable that the consumer will pay more for beer under a forced deposit system than with a freedom of choice. Both cost studies and price studies in the marketplace have shown this to be so historically.

As a result of the price increases to consumers and loss of convenience, one would expect either a sales decline or interruption in trends and this also has been the case.

consumption

What has happened to beer consumption in the states which have enacted such laws?

The year off trend for Oregon is 1973 which is the first full year after the bottle bill which went into effect in October, 1972. Similarly, in Vermont the law went into effect in September, 1973 and in 1974 and 1975 per capita fell and did not regain its former level until 1976.

In Maine and Michigan the same trends have occurred. Maine's deposit law went into effect on Jan. 1, 1978 and that year per capita fell over 6% from the previous year. In Maine, the per capita never has achieved the same level as prior to the bottle law. In Michigan, per capita consumption in 1981 stands at about the same level it was in 1973 and '74 which was five or six years prior to the effective date of the law.

(Continued on page 20)

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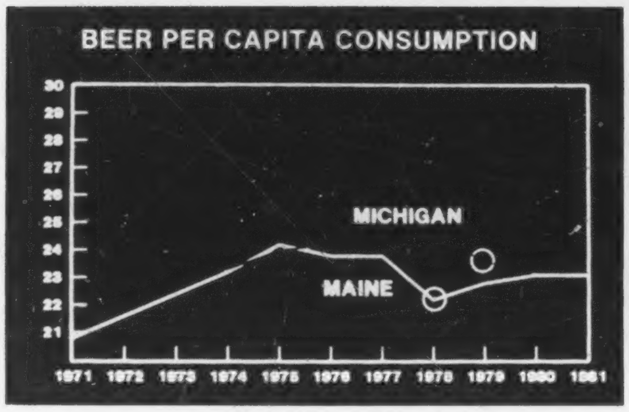

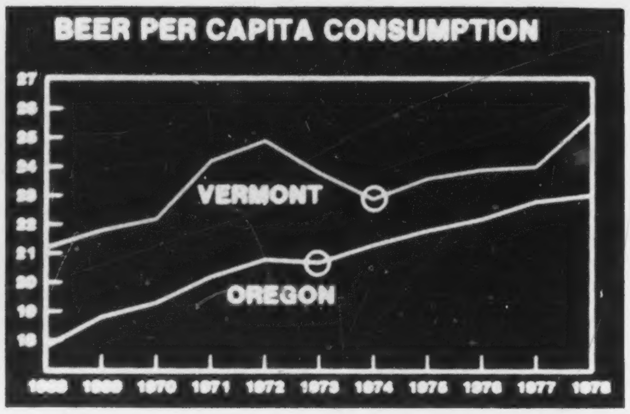

Finally, in regard to all of those areas of concern to brewers, wholesalers, retailers and suppliers, let me describe some of the coordinated efforts presently underway to combat unfair and unjust legislation.

The name of the concept initiated by Henry B. King and the USBA is the Positive Posture Program and one key element of it is the collection and distribution of information reflecting brewers, wholesalers and suppliers economic contributions. The USBA through the accounting firm of Touche Ross and Co. has been collecting data from individual brewers and suppliers and preparing industry wide totals for various states.

The questionnaires are compiled by Touche Ross and only the industry figures are provided to USBA which in turn utilizes them in displaying the impacts of the brewing industry on a state level. USBA has been working jointly with a number of the beer wholesaler associations in this venture. Paul de Nio of the California Beer Wholesalers has completed a detailed survey of his members as has Mike Hopkins in Texas. Bill Spencer in Colorado has a survey underway and Pat Laughlin in Michigan is planning one also, as is John Huddleson. USBA Washington will be contacting every state beer wholesaler association to offer assistance and services in collecting critical economic data and other information. The association is also surveying the brewers and suppliers.

A few of the facts developed for California can serve as an example of the material USBA and the wholesaler association have been able to put together. This data reflects the cooperation of both USBA brewer members and non members, and, of course, the vital inputs of the California Beer Wholesalers Association.

Some of the facts contained in the brochure being currently published in California are as follows: Brewers: 4300 employees, $175 million in wages, salaries and benefits, $445 million spent in packaging, $314 million in taxes. For beer wholesalers the figures are 10,000 employees, $252 million in wages, salaries and benefits, $84 million in capital expenditures, $9 million in advertising/ad printing, and $26 million in rent.

USBA will be working with every state in regard to beer wholesaler economic contributions and feel certain this industry wide survey will generate both enthusiasm and the vital information necessary for the difficult legislative times we all are facing.

'82 sales results

In closing, let's briefly review the current sales situation in the beer industry and among its chief competition. It has been a poor year; through the first three quarters we estimate beer shipments to be flat. 1982 will be the weakest year the industry has had since 1960 or the late 1950's and I believe it is a reflection of both the economy and weather during 1982.

The main competition for the beer dollar—spirits, wine, and soft drinks—are also performing relatively poorly. Spirits sales in 1982 will likely be off by 1 to 2% while wine will be up only 2 or 3% as will soft drinks. Domestic beer sales will be between -0.5% and plus 0.5% at the yearend and imports up by maybe 5%. Next year should improve in comparison but, only a 1% to 1.5% increase is likely in beer nationally. Of equal, if not more, importance is the fact that there will be continued disparity between various states and regions share of this small increase as the economic conditions and improvments vary to a great degree.

We noted earlier that survival for many in the industry is the key word today. The tools available however, are not minimal in not only surviving but more positively in expanding and growing. I am speaking of the support of your suppliers in not only the merchandising tools necessary but the management techniques as well. All these things become essential in both day to day operations and in the long range planning.

Katz

About the author

Philip C. Katz has been with USBA since 1957 starting with the group as a statistician. He has academic degrees from the Wharton School of Finance and Commerce and New York University. He is also a member of several professional groups, including the Society of Government Economists.

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Caffeine free

(Continued from page 1)

tries. And it can be safely predicted that there will be at least one more major entry sometime during the first quarter this year.

In spite of this flurry of activity, caffeine free colas are really not new. Vess had an entry several years ago and Canada Dry's Sport Cola never really got off the ground.

What has happened in the marketplace to suddenly create a viable soft drink segment? What are some realistic numbers reflective of market potential for these drinks? Can this segment successfully increase the total soft drink market? Which version — regular or diet — appears to offer the most potential?

target markets

Most of the major marketers initially targeted their product to appeal to the consumer profile of the low-calorie beverage consumer. The expressed opinions were that the health-conscious drinker who wants to reduce caloric intake would be the one to whom these drinks could most likely be attractive.

Introducing Pepper Free last November, Bob Hannegan, president, Dr Pepper USA, said: "We opted for a Pepper Free without sugar or caffeine for a very good marketing reason: People who prefer a caffeine-free beverage tend to fit the sugar-free consumer profile, namely women, aged 25-49 and those who are health and weight-conscious."

Furthermore, Dr Pepper's research also revealed that only one in six carbonated beverage drinkers are "very concerned" about caffeine.

"But that minority — that 16⅔% — is our target for Pepper Free. They are the people who otherwise might just drop out of the soft drink market or choose a competitive beverage, a soft drink or a caffeine free coffee," Hannegan said.

Pinpointing this group further, the research also showed that men were much less concerned about caffeine than women, and older persons had less concern. Most concerned of all, with as much as 76% preference for caffeine free, were the regular users of diet drinks.

Elaborating on the Pepper Free research, Frank Phillips, research and quality control manager, said: "We wanted to know as much as possible, of course, about attitudes. And so we asked those people who could discriminate between the caffeine and noncaffeine beverages to indicate their preference based on several product attributes: sweetness, carbonation, aftertaste, mouth feel, refreshment, overall preference.

" . . . We also tried a label test, with a sample of 200 Dr Pepper drinkers. We gave each of them two bottles of caffeine free Dr Pepper, identical except for the label. One carried a 'caffeine free' label, the other did not. Each respondent was asked to compare the two samples on the five product attributes and on overall preference.

"The results were very encouraging. Almost half—47%—preferred caffeine free. In one group the caffeine free product was actually preferred by 63%—two out of three.

Unlike Dr Pepper, the other three firms have introduced both regular and low-calorie versions. (RC's came about a year after the initial sugar free product.) Except in RC's case, the regular products are outselling the diet beverages.

Interestingly, only the first wave of RC 100 ads were clearly identifiable as being targeted with the low calorie beverage drinker. The "we ain't got nothing" commercials implemented this concept in message and visually.

(Continued on page 27)

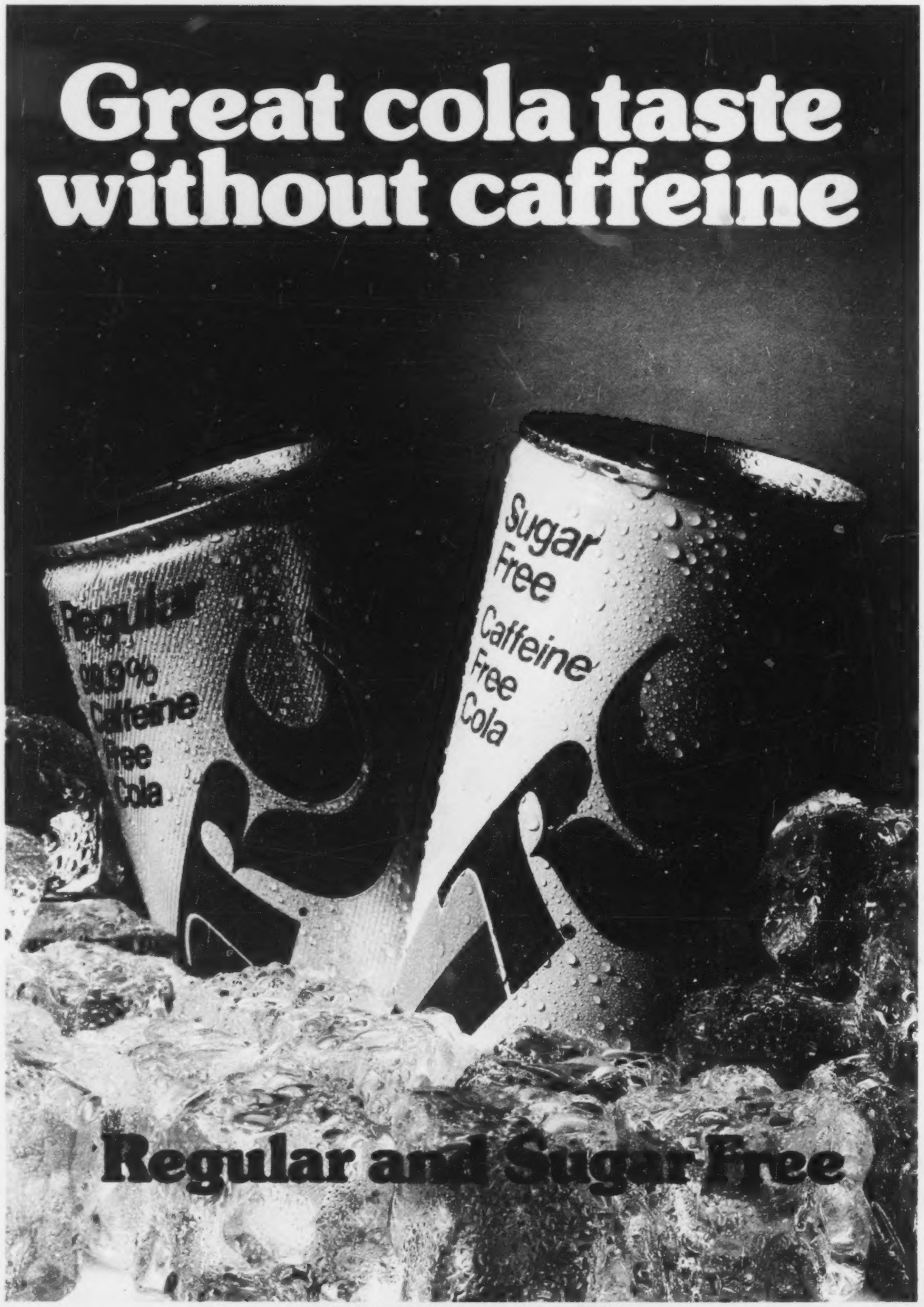
SINGER: Regular. And sugar free.

BOY: RC One Hundred

Our taste's one hundred percent.
You'll wonder where
caffeine went.

PROFESSOR: RC One Hundred.
Regular and Sugar Free!

New RC 100 adds tie both sugar-sweetened and diet versions together.



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BI Week

(Continued from page 1)

anti-competitive and in violation of anti-trust law. Joyce also noted that RC products account for 38% of its sales, approximately $24.5 million in the New York area. RC's official response is "no comment" since the matter is in litigation. At presstime, it was understood that the firm's lawyers were preparing to respond to the Joyce suit. Royal Crown was also sued by Seven Up Co. last month when the firm cancelled its franchise in the Houston market. In this instance, lawyers were also reportedly preparing an "appropriate response."

- Royal Crown Bottlers Association, meanwhile, has scheduled a board meeting for January 26. Although the lawsuit/franchise subject was not on the agenda, association officials told *Beverage Industry* that it could (and probably would) be brought up under "new business." Among options the group could take is a decision to become a party to the proceedings.

- NSDA, meanwhile, has hired outside legal counsel to prepare a legal memorandum discussing all aspects of the legal issues. Included will be an assessment of the impact on the industry structure should various phrases be deleted from existing franchise contracts. NSDA's action was taken at the request of the executive board.

- At presstime, the U.S. Federal Court had ruled against two of the Procter and Gamble requests in the lawsuit involving Coca-Cola, P&G, and Coca-Cola Mideast. The Court refused to transfer jurisdiction or throw out the suit. Still pending was a request to have other interested parties become part of the proceedings. The "discovery" proceedings are taking place. The court earlier granted Coke's request for "expedited discovery," granting the firm's lawyers access to documents pertaining to the acquistion.

- Early indications are that Dr Pepper will shortly move its Pepper Free caffeine-free soft drink into additional markets. Firm also is reportedly considering a regular, sugar (or HFCS) sweetened caffeine-free version.

- Preliminary per capita data from *BI's* John Maxwell shows soft drinks have gained up to 40.1 gal. Bottled water, wine per capitas are also up; all other products are down, powders remaining constant. Details in an upcoming issue.

- Pittsburgh Brewing continues its profitable ways. Company—one of few regionals to fare well in '82—had record sales of $45.8 million; net income (including tax net operating loss carry-forward) was approximately $3.3 million.

- Barq's announces a 14.2% case sales increase in '82. Volume "now approaching" 19.1 million cases, according to John Oudt, board chairman. Latest franchise signed in November with Cincinnati Coca-Cola.

- Choice Vend has shipped first vendors since coming under new ownership. Pepsi-Cola Bottling Co., Princeton, WV, an RKO operated franchise, accepted an 88-unit truckload order, first of several planned by the firm.

- New plastic closure developed by Dairy Cap, Brooklyn, NY. Firm has patented a one-piece unit with mechanical tamper-indicative ring. Details in an upcoming issue.

- G. Heileman Brewing Co., La Crosse, WI, has reached the one billion dollar sales market for the first time in its history according to Russell G. Cleary, president.

Caffeine free

(Continued from page 21)

The firm's new "How'd they do it?" focuses on a full range of consumers, wedding both the low-calorie and regular version and gets the taste message across with an "our taste's one hundred percent" message.

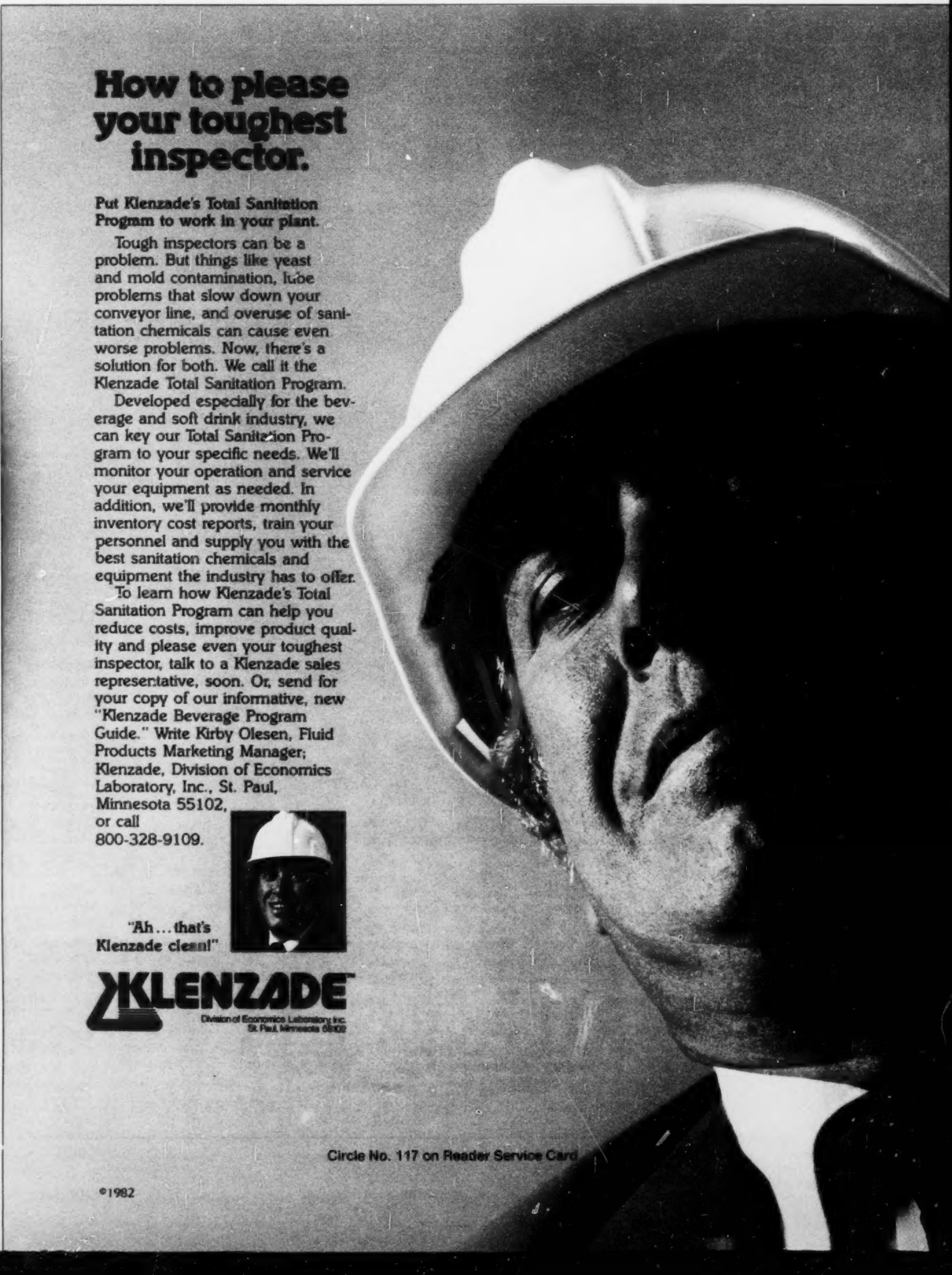
Pepsi goes straight to the taste message, emphasizing "The taste is positively Pepsi and caffeine free" throughout. Targeted audience, according to a company spokesperson, is the "family gatekeeper, women aged 18-49 who make the majority of the buying decisions in the home."

"These people, as heads of households, are health conscious and may want to cut down on their family's consumption of caffeine.

"Our research shows that 68% of the consumers would be interested in a caffeine free product if there was no taste tradeoff."

The official stressed the

(Continued on page 33)



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Caffeine free

(Continued from page 27)

fact that taste is important because many people have been turned off because of the taste of decaffeinated coffee.

Pepsi officials have also been among the most optimistic when it comes to market potential. Norm Sylvester, estimates that caffeine free colas could eventually reach 5% to 15% of the market.

Although most security analysts disagree, BI's John Maxwell is revising his opinion! "The market may be better than anticipated. The flavors which are positioning themselves as caffeine free are growing so the demand may be greater than any of us thought."

Asked to comment specifically on Sylvester's 15% projection, Maxwell said, "... that may turn out to be conservative."

But where did the market come from? Why is it primed now?

Virtually everyone contacted during preparation of this report, agreed that the market probably has existed all along. Witness the sales of decaffeinated coffee. All also agreed that recent government interest in all ingredients and additives has heightened consumer awareness and concern.

These same activities have also been the major factors around the recent growth of seltzers and other sodium free beverages.

market potential

Manny Goldman, soft drink analyst with Sanford C. Bernstein & Co., New York, feels that the caffeine-free segment "will not have an additive effect on overall soft drinks sales." Goldman feels that the real increase in total sales will come with the development of "good-tasting diet drinks" and looks for the use of Aspartame and other non-nutritive sweeteners to provide the punch.

In his November report on the soft drink industry, Goldman also comments on the competition in the segment:

"... RC 100 sugar-free and caffeine-free has been highly successful and the company shows every intention of staunchly defending the product's market position, even at the expense of near-term earnings.

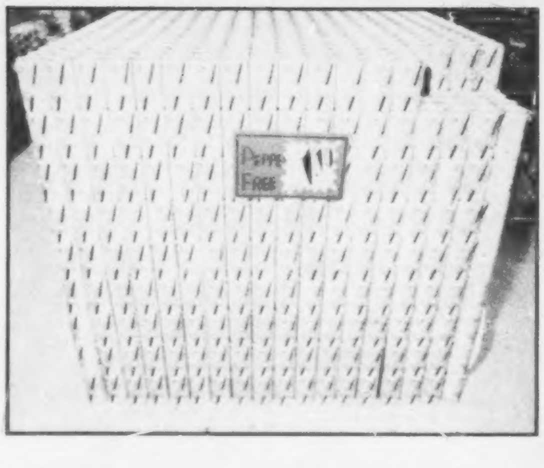
" ... however Pepsi appears likely to provide Pepsi Free with an unusually high level of marketing support, especially since a number of its bottlers are clamoring for this new product line.

"And with Pepsi Free's sales likely to reflect the popularity of diet products, company-afforded bottler support is expected to be increasingly directed toward the sugar-free version. Sugar-Free RC 100 should feel the increased pressure and indeed its sales growth is expected to slow significantly."

Goldman feels strongly that the Pepsi Free entry was more in response to the Seven-Up Like debut than to RC 100. Pointing to Miller's success with Lite which resulted in part because other, large brewers were slow in responding, Goldman writes that "Pepsi is wary of Philip Morris."

In its premiere and in official comments, Pepsi officials have meticulously stressed the merits and timing of their product. In the New York

(Continued on page 42)



Pepper Free started rolling out in "heartland pepper country" during the first week in January. At right, the first loads leave the firm's Dallas plant. Above, first displays in the market prominently featured the $1.10 six-pack price.

POSITIVELY A SUCCESS!

99% CAFFEINE FREE COLA
Pepsi free
SUGAR FREE
CAFFEINE FREE
Pepsi free
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Pepsi Free is positively the biggest news in colas today. And no wonder. Consumers were ready for a caffeine-free cola. But only if it had taste. And Pepsi Free's "Positively Pepsi Taste" filled the bill.

But a great product is not enough. It takes a strong bottler network. And with Pepsi-Cola bottlers getting us trade and consumer acceptance, Pepsi Free has been an unqualified success in every market it's entered.

Our great Pepsi taste and our outstanding bottler execution. It's the combination that's making Pepsi Free a major national brand. Positively!

Pepsi Free. The taste is positively Pepsi. And it's caffeine-free.

"PEPSI FREE" AND "PEPSI-COLA FREE" ARE REGISTERED TRADEMARKS OF PEPSICO, INC.

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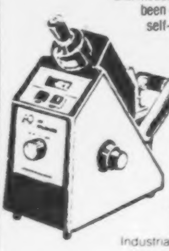

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FOR SALE

BEVERAGE TRUCKS FOR SALE—All Fords 1975-77. 12—10 Bay Beverage Trucks. 25—1979 12 Bay Beverage Trucks. Tri-County Distributing Company, 1120 Oakhill Avenue, Youngstown, OH 44502. (216) 743-3101. Al Nerone. TF

For Sale: 1—Inspection Light—Miller Hydro Co.—Model 393 Type F; 1—Case Cleaner—Miller Hydro Co.—Model K298; 1—Case Packer—Miller Hydro Co.—Model PK 200; 1—Full Case Conveyor—Miller Hydro Co.; 1—Empty Case Conveyor—Miller Hydro Co.; 1—Filler—Crown Cork & Seal Co. Cem, Model 28-6-AA-FA, 28 Filling Tubes; 1—Decaser—Meyer Manufacturing Co.; 1—Ladewig Soaker—Model 230-20, wash 240 bottles per minute, will wash 6½ oz. thru 16 oz. bottles; 1—Crown Hopper—1000 Gross Stainless Steel Crown Hopper with cover; 1—Evans Gas Heater. Price Negotiable. Contact Colie Rowell, Central Coca-Cola Bottling Co., Inc., 1706 Roseneath Road, Richmond, VA 23230-4493. Phone (804) 359-3759. TF

FOR SALE

LIQUIDATION—Entire contents of Ortlieb Brewery, Philadelphia. Depalletizer, Climax Uncasers, Meyer Washers, Pasteurizers, Crown Fillers, World Tandems, Alvey Palletizers, Can Track, Conveyor, Compressors, York Verticals,—**PARTS, PIECES OR WHOLE LINE.** Also, Brewing Equipment—Kettles, Tubs, Vessels, Tanks, Mixers, Pumps, Hose Fittings, Electric Panels, Switches, Motors, Parts. **BEST OFFER ON ANYTHING OR EVERYTHING**—Info or complete Inventory List—(215) 574-0717. 1/28

For Sale: Completely remanufactured Standard Knapp equipment. (1) 874 Packer with 830CS Case Feed; (1) 202 Traymore with Kayat Engineering RM-1000 Trayfeed; (1) Model 253 6-Pack Divider. All units carry one year guarantee for parts and labor. Also available: (3) S-K Grids. Contact:

Kayat Engineering Ltd.
(203) 265-3776 TF

FOR SALE: ROUTE SALES CONTROL SYSTEM. Complete and comprehensive route settlement system that's easy to use—**READY TO USE!** Accounts Receivable, Load Sheet processing, vending equipment Accounts Receivable, Sales Reports, Accounts Payable, Payroll and General Ledger. **CONTROL YOUR BUSINESS.** Contact **COMPUTER SYSTEMS, INC.**, P.O. Box 6162, Mobile, Alabama 36606. 205-479-1136. TF

EQUIPMENT FOR SALE—5 World labelers, Crown 60 Head stainless filler, Winterwerb-Streng "Wineta" manual pressure filler, wire-hooder, 2 Ermold labelers, Columbia palletizer, various conveyor and spare parts. **CONTACT: HUDSON VALLEY WINE CO., INC.**, John Lahey Highland, NY. (914) 961-7296. TF

FOR SALE: Norand sprints, route commanders, disk drive, multiport-modem, and chargers. Reasonably priced. Used less than a year. J. W. Phillips & Sons Co., Richmond, Virginia. (804) 648-2846. 1/28

FOR SALE: Rebuilt full bottle & can inspectors. Rebuilt units in stock with full warranty. Licensed to service radioactive sources. Complete service available. INDUSTRIAL SERVICES & SUPPLY CO., INC., 2908 Southway Drive, Memphis, TN 38118. (901) 794-2551. TF

FOR SALE: 60 Spout Meyer Quart Bottle Filler with 10 Head Crowner, also parts for 10 Oz. and 16 Oz. sizes. Immediately available at a most attractive price. Write BI Box 142. 4/8

FOR SALE

FOR SALE: Complete late model Bottling Line including Uncaser, Washer, Filler, Electronic Inspectors, Mojonnier Carbo Cooler, Case Packer, Interconnecting Bottle & Case Conveyor. All set up and push button ready to produce 12 oz. thru liter bottles at manufacturer's rated speed 650 BPM to 300 BPM (liters). Offered subject final acceptance by firm's Board of Directors. Principals only. For details write to BI Box 139. 4/22

Complete Bottling line 7 oz. to 2 liter pet. In operation until 12/30/82. Line consists of two Cem 40B fillers, one CEM 28B filler dedicated to 2 liter Pet on every valve. Labelers, 12 wide quart Myer washer, 12 wide pint Myer washer, rinser, case packer, uncaser, Zalkin capper, two 12 head Cem Mixers, Two 5000 Gal. sugar tanks, syrup tanks plus all associated equipment such as parts, conveyors, water treatment, air compressors, switches, etc. Asking $35,000 for everything. Davis Beverage Co., Inc., 1130 S. 19th St., Harrisburg, Pa. 17104 Phone: (717) 234-7056. 1/28

LIKE NEW: Mojonnier Model M72SR Soft Drink Processing System with Flo-Mix Proportioner, CIP, Syrup Pump Module and other Accessories available with (2) Grasso 150 HP and 125 HP Ammonia Compressors and Mojonnier Evaporative Condenser, capacity 270 Tons at 90° Wet Bulb. Write BI Box 137. 4/22

For Sale: 1—1973 GMC 10 Bay (3x3) Aluminum Body, P/S Automatic—with service records, asking $3500; 1—1973 LN Ford 10 Bay (3x3) P/S 5 speed reconditioned engine, asking $4,500; 1—1973 Ford CO700 10 Bay (3x3) P/S 5 speed, good spare, $1700; 2—Remke 14 Bay 3x3 Route Trailer in excellent condition with service records, 1-$3500 and 1-$4000; 1—1973 Ford Tractor, $3500; 1—Meyer 16 Wide Double End 4 Compartment Bottle Washer used 1 year since major overhaul, priced to sell $7500. Contact: Joseph Santangelo, 1 (203) 527-7502 EST 8am-8pm. Delivery possible. 2/11

For Sale: 5000 gallon sugar tank, SK 840 case feed, SK830 case packer, 300 Series Potter Rayfield mixer, 6—28 rebuilt CEM filler, Krones Rotina body labeler, 10,000—16 ounce Open Wood shells, 2500—32 ounce Pocket Wood shells, 1800 cases 12 ounce new Double Cola bottles. Contact Edward Loo, Double Cola & Kist Bottling Co., 642 East Edna Place, Covina, California 91723. (213) 967-2751. 1/28

FOR SALE

FOR SALE OR LEASE—New 1980-Model 60-B-420 Miller Hydro Bottle Washer with 4½ centers, complete with unscrambler load table, rotary loader, rotary discharge, 6-stage pre-wash, spare parts. This machine has never been used and is available for immediate shipment. Contact Donn Alspach, Mid-Ohio Coca-Cola, P.O. Box 250, Newark, Ohio. (614) 345-9882. TF

FOR SALE: Stainless Bowl 60 Spout Meyer Can Filler with High Speed Filling Valves, Spool Valves, Seamer with Full Range Levers rated 700-750 CPM on 209/211 dia. cans. Recently rebuilt. For details write BI Box 1411. 4/8

FOR SALE—LATE MODEL BOTTLING EQUIPMENT—28 Spout Crown Cork & Seal Bottling Line. IAC Uncaser Unitwist Rinser. 28 CCS Super Uniblend Two Liter Filler Crown Sure Cool Carb Blend. Alcoa-212-8 Head Capper. Cherry Burrell Syrup Room. Van Gal Palletizer 48-40. Two Years Old. Call Richard Miller, (203) 673-5511. RAM Machinery Corporation, P.O. Box 1199, Burlington, CT 06013.

For Sale: (1) JAGENBERG High-Speed Bottle Labeler-Model UT-24 equipped for the labeling of 32 oz. NR botles with body and shoulder labels. (1) DOSTAL & LOWEY MP-4 Set-Packer Full Automatic. Packs 4 cases at a time. Has grids to pack different sizes. (1) MEAD BOTTLE MASTER Carton Opener, Model 102. Price negotiable. Contact Colie Rowell, Central Coca-Cola Bottling Co., Inc., 1706 Roseneath Road, Richmond, Virginia, 23230-4493. Phone (804) 359-3759. TF

FOR SALE: Modular design Meyer Custom Dumore Model 404 Hydro Bottle Cleaner with Label Removal Station, splits to quarts (and Liter), liquid caustic supply header, fresh water inside and outside Final Rinse Station. Write to VP, c/o BI Box 138.

FOR SALE—HI-SPEED S.S. FILLERS, Late model—immediately available; MEYER 84V 700 16 oz. BPM; SEITZ 48V 150 2L. BPM; MEYER 40/8 95 2L. BPM; MEYER 60/10—CROWN 72/15. Buckner Equip. Co., Inc., P.O. Box 171, Glencoe, IL 60022. (312) 835-3444. TF

FOR SALE: 65 Valve Meyer New Style Bottle Filler. Model 65-15-15 with Meyer Crowner and Alcoa Capper, with R11 Filling Valves suitable for pulpy and non-pulpy products, monobloc design (Filler/Crowner/Capper), equipped for 10 Oz. and Tall Liter Bottles. For details write BI Box 136. 4/22

FOR SALE: **Labeler:** World Tandem 1,000 SNCB-15937, parts for 32 oz. and 2 Liter plastic-body and shoulder. New 1974. **Labeler:** World Tandem SNCB-15584, parts for 32 oz. body and shoulder. Approx. 17 years old. **Filler:** Meyer Dumore 24 spout. 30 years old. Completely rebuilt in 1976. 7 oz. to 64 oz. (all valves). **Washer:** Meyer Dumore 12 wide Quart Model 412-OT SN B1874, June 1948. CONTACT: Harry Fuller, Seven-Up Bottling, Binghamton, N.Y., (607) 729-6202. 1/28

FOR SALE: From our Tampa Headquarters: (2) Filtec FT-12 Level Detectors, (1) A.B. Dick Video Jet Printer, (2) High Stack Empty Can Depalletizers. For individual items or complete Canning Lines, "Come to Headquarters" B & B Equipment Corp., Box 1530, Tampa, Fla. 33601.

FOR SALE: Complete bottle line, Crown UB-50 STD 1968 filler, Washer—Miller model 50 (1972) with Evans Heater, everything to go with it, P/R 3400 GPH—72" water treating, many misc. syrup tanks. Would like to work out a package deal—will sacrifice. Dan Pecora, P.O. Box 628, Columbus, GA 31902. (404) 687-1240. 1/28

Two complete Meyer 50 bottling lines can be seen in operation. One line may be sold in components. P.O. Box 4146, Springfield, IL 62708. 217-522-8845. 3/25

Caffeine free

(Continued from page 33)

City press conference, introducing the product, John Sculley, Pepsi-Cola president, did say that he felt it did not make any difference which firm was first—a side comment which could refer to either Seven-Up or Royal Crown—he felt the firm to enter the market with the most marketing muscle would eventually have the top brand.

Regardless, several of the Pepsi Free test markets dovetailed Seven-Up Like markets and since the mid-fall test, the firm has moved rapidly to expand markets. By January, Pepsi Free was in almost 50% of the U.S., second only to RC 100. Plans call for the product to have national distribution by the end of '83.

Others don't necessarily disagree with Goldman's Philip Morris scenario but point to other factors. Bonnie Cook, senior soft drink analyst with Robinson Humphrey, Atlanta, is one.

"I think what happened is that Pepsi found out in some of its test markets that Pepsi Free sales gains were coming primarily from Coca-Cola products.

" . . . that could also account for the speed with which the company moved to get the product into key markets. If that is true and at the same time Diet Coke is cannibalizing the Coke brand, then Pepsi's food store sales share should shortly show some important gains."

First Boston beverage analyst Martin Romm also questions whether or not caffeine-free colas will add to the market. Writing in his fall '82 comment, Romm said: "We have reservations about how much this product segmentation will add to incremental volume. . . . We also wonder whether the consumer is, in fact, concerned about caffeine . . ."

Romm discusses several projections for this market, but says that he feels that it will end up "closer to the 10% than to the 15% level of penetration." His projection includes only colas and peppers, those products which have traditionally contained caffeine.

While four of the top five firms have been hustling their brands to market, Coca-Cola has been "considering our alternatives," according to Brian Dyson, Coca-Cola USA president.

That hasn't stopped conjecturing what Big Red will do.

Reformulation of Tab is the most commonly suggested response. Here, for example, is Romm's reasoning:

"If the inclination that the consumer of these beverages will be more similar to the diet consumer is correct, then it is likely that Coke will reformulate its Tab product to meet the market competition of Pepsi and 7Up, . . . Coke can (not) avoid addressing this segment . . .

"Coke's dilemma is an interesting one. It appears to have established a new beachhead in the diet segment with Diet Coke, but there is evidence from test markets that it is coming at the expense of Tab and brand Coke. If Coke allows this to continue, it risks erosion of the Tab trademark after years of building its identity. In contrast to Pepsi, which has opted to use its flagship brand name to enter the caffeine segment, Coke has a chance of putting Tab into the caffeine-free category and putting proper distance between its trademarks to minimize cannibalization."

Assuming that Tab would retain its following after a reformulation, Coca-Cola could then claim leadership in the entire caffeine-free segment (200 million plus cases vs. RC 100's 30 million).

However, according to numerous trade sources, this is not the only option—and not necessarily the best one—which Coke is considering. With the introduction of Diet Coke, Coca-Cola has segmented its share of the low calorie market. The two products are totally different in tests and are targeted at two different audiences.

If the diet soft drink consumer is the logical target for the caffeine-free drinks, then Coke may need two caffeine free beverages. Will the company then offer a caffeine-free Coke brand? How about a "Pibb-Free"?

Company officials insist that no decision is imminent, but that all alternatives are being carefully weighed. Key Coca-Cola bottlers say that they expect a caffeine free entry this spring. Also circulating is a rumor that the firm will time its announcement to coincide with the national Pepsi bottlers meeting scheduled for March.

At this stage in the development of this segment, it is difficult, if not impossible to determine how important and how viable the new caffeine free market may be. Conclusions and judgments are being made on almost a market by market basis and the reactions in each market vary.

RC 100 has been in the market longer than any other product and its initial sales gains have slowed somewhat, but it is still growing and accounts for approximately 13% of that firm's total business.

Both Pepsi and Seven-Up products have only been in the market some six months and a great deal of "filling the pipe line" is still taking place and that will continue as new entries are launched this year.

Production by brand

(Mil. bbls.)

	1977	1978	1979	1980	1981	1982E
Anheuser-Busch						
Budweiser	25.0	27.0	30.0	33.9	37.8	39.6
Michelob	6.2	7.5	8.0	8.5	8.5	8.5
Busch	3.4	3.6	3.2	2.8	3.1	3.3
Michelob Light	—	1.0	2.0	2.6	3.2	3.2
Bud Light	—	—	—	—	—	3.1
Natural Light	1.9	2.5	3.0	2.4	1.9	1.3
Other	—	—	—	—	—	—
Total	**36.5**	**41.6**	**46.2**	**50.2**	**54.5**	**59.0**
Miller						
High Life	16.5	20.8	23.6	22.7	22.3	20.5
Lite	7.5	9.5	11.2	13.2	16.3	17.5
Lowenbrau	0.2	1.0	0.9	1.2	1.5	1.5
Other	—	—	0.1	0.1	0.3	0.4
Total	**24.2**	**31.3**	**35.8**	**37.2**	**40.3**	**39.9**
Stroh						
Stroh				5.7	5.5	5.4
Schaefer				3.6	3.0	2.6
Stroh Light				0.5	0.6	0.7
Goebel					—	0.4
Total	**10.2**	**9.6**	**9.8**	**9.1**	**9.1**	
Old Milwaukee	3.6	3.7	4.2	5.1	6.0	
Schlitz	13.0	10.5	7.5	5.7	4.2	
Schlitz Malt	1.8	1.9	2.3	2.5	2.6	
Old Milwaukee Light	—	—	—	—	0.8	
Schlitz Light	0.8	0.6	0.4	0.3	0.4	
Erlanger	—	—	0.4	0.6	0.1	
Other	0.4	0.1	0.2	0.2	0.1	
Total	**19.6**	**16.8**	**15.0**	**14.3**	**14.2**	
Grand Total	29.8	26.4	24.8	23.4	23.3	
Heilman*						
Old Style (Including Old Style Light and Export)				4.8	5.4	5.6
Blatz (Including Blatz Light)				1.3	1.5	1.7
Carling Black Label (Including Light)				.8	1.0	1.6
Colt 45				1.1	1.2	1.5
Schmidt/Raiher				1.6	1.7	2.0
All Others				3.4	3.2	2.1
Total				**13.0**	**14.0**	**14.5**
Pabst						
Pabst		12.7	12.3	11.2	9.6	8.8
Red, White & Blue		0.5	0.9	1.2	1.3	1.0
Olde English (Malt)		0.5	0.7	1.0	1.1	0.9
Blitz		0.3	0.5	0.8	0.5	0.6
Pabst Light		0.6	0.7	0.6	0.5	0.5
Jacob Best		—	—	—	—	0.4
Andeker		—	—	—	0.1	0.1
Other		0.8	—	0.3	0.3	0.2
Total		**15.4**	**15.1**	**15.1**	**13.4**	**12.5**
Coors						
Coors		12.1	11.3	11.4	11.2	9.1
Coors Light		0.5	1.6	2.4	2.0	2.8
Others		—	—	—	0.2	0.1
Total		**12.6**	**12.9**	**13.8**	**13.3**	**12.0**

*Revised

Source: Lehman Brothers Kuhn Loeb Research

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January 28, 1983

'82 Beer sales

(Continued from page 1)

and the growth of noncaloric soft drink both are dramatic examples of this shift in lifestyles and its impact on consumption," he comments.

A growing awareness of alcohol abuse is also adversely affecting consumption. Drunken driving laws are being tightened and Alcoholics Anonymous membership is at its highest enrollment level ever.

Pointing to high levels of taxation in foreign countries (some alcoholic beverages now sell at the U.S. equivalent of $50 in Scandinavian countries), Maxwell anticipates that the U.S. government will find this an excellent way to balance the budget " . . . and we will see further increases in excise taxes on wine, beer, liquor and gas.

"Higher prices will definitely affect sales unless there is an immediate dramatic shift in economic conditions," Maxwell comments.

The beer industry also has an added problem of having a small consumption base. About 25% of the drinking

(Continued on page 34)

Simmons Market Data:

Index of Beer Drinkers

Total Adults	100
Males	131
Females	72
18-24	121
25-34	120
35-44	108
45-54	95
55-64	80
65 or Older	59

The top ten beers: Schlitz drops, Old Milwaukee jumps

There were no major shifts among the top six beer brands in 1982. Budweiser remains in the number one position and has strengthened its lead moving from a market share of 20.6% to 21.6%.

Miller High Life, number two, dropped both market share and consumption to 11.2% and 20.5 million gallons. Miller Lite gained a .5 point market share to 9.5%.

The race for the number four slot — between incumbent Coors and Pabst — has tightened. Last year there was a full percentage point — four million barrels — between the two. In 1982 Coors' share lead is by only one-tenth of a percentage point, approximately 300,000 barrels.

Michelob, number six, is not far behind with its 4.6% market share and 8.5 million barrel volume.

Old Milwaukee jumped from tenth to seventh on the rankings, moving from a 2.7% market share to 3.2% in 1982. Schlitz, number seven in 1981 replaced Old Milwaukee in the number 10 position.

Estimated malt liquor sales volume

(000 bbls.)

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982E
Schlitz (Stroh)	700	900	1,100	1,300	1,500	1,700	1,800	1,900	2,150	2,500	2,600
Colt 45 (Heileman)	1,050	1,100	1,200	1,300	1,400	1,400	1,350	1,000	1,100	1,200	1,500
Olde English (Pabst)	—	—	—	—	—	—	500	900	1,000	800	900
Champale (Iroquois)	285	385	350	400	400	700	800	900	900	650	600
Mickey's (Heileman)	—	—	—	—	—	—	—	—	—	400	500
Country Club (Pearl)	700	710	600	550	500	450	400	300	200	200	—
Magnum (Philip Morris)	—	—	80	*	—	—	—	—	—	200	300
Malt Duck (Heileman)	—	—	50	80	100	110	125	100	100	75	100
Bud Malt (Anheuser-Busch)	200	80	*	—	—	—	—	—	—	—	—
900 (Pearl)	—	—	—	—	—	—	—	—	—	50	—
Subtotal	**2,935**	**3,090**	**3,380**	**3,630**	**4,000**	**4,360**	**4,975**	**4,900**	**5,250**	**6,075**	**6,500**
All Others	250	110	120	120	170	200	50	50	50	50	50
Total	**3,185**	**3,285**	**3,500**	**3,750**	**4,170**	**4,560**	**5,025**	**5,000**	**5,300**	**6,125**	**6,550**

Source: Lehman Brothers Kuhn Loeb Research

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Brewers' estimated market shares

	1979	1980	1981	1982E
Anheuser-Busch	26.8%	28.2%	30.0%	32.3%
Miller	20.8	20.9	22.2	21.8
Stroh	15.3	13.9	12.9	12.8
Heileman	6.6	7.5	7.7	7.9
Pabst	8.8	8.5	7.4	6.8
Coors	7.5	7.8	7.3	6.6
Olympia	3.5	3.4	3.1	2.8
Genesee	2.0	2.0	2.0	1.9
Schmidt	2.2	2.0	1.6	1.8
General	1.7	1.4	1.2	1.0
Pittsburgh	0.4	0.6	0.5	0.5
Others* (Net)	4.4	3.8	4.1	3.8
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

*Includes imports and excludes tax-free.

Source: Lehman Brothers Kuhn Loeb Research

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Leading imported beer brands

(Mil. gallons)

	1979	Pct. of Market	1980	Pct. of Market	1981	Pct. of Market	1980-81 Change
Heineken	59.1	42.9%	53.5	37.8%	62.9	38.9%	17.6%
Molson	29.3	21.3	31.7	22.4	32.0	19.8	0.9
Becks	5.6	4.1	7.3	5.2	10.0	6.2	37.0
Labatt	6.6	4.8	6.9	4.9	9.0	5.6	30.4
Moosehead	2.0	1.5	5.6	4.0	7.9	4.9	41.1
Dos Equis	7.0	5.1	7.0	4.9	7.0	4.3	—
Carling O'Keefe	—	—	—	—	4.5	2.8	—
Guinness Harp	1.6	1.1	1.7	1.2	3.9	2.4	129.4
Tecate	—	—	—	—	3.8	2.3	—
St. Pauli Girl	2.0	1.5	2.4	1.7	3.0	1.9	25.0
Carta Blanca	1.8	1.3	2.1	1.5	2.3	1.4	9.5
Grolsch	1.4	1.0	1.6	1.1	1.8	1.1	12.5
Foster	1.4	1.0	1.6	1.1	1.7	1.1	6.3
Kirin	—	—	—	—	1.4	0.9	—
Kronenbourg	—	—	0.7	0.5	1.2	0.7	71.4
San Miguel	—	—	—	—	1.1	0.7	—
Bass Ale	0.8	1.1	0.9	1.1	1.0	0.6	(37.5)
Tsingtao	0.2	0.1	0.4	0.3	0.8	0.5	100.0
Amstel Light	—	—	0.5	0.3	0.7	0.4	40.0
Bohemian	—	—	—	—	0.7	0.4	—
Kalback	—	—	—	—	0.1	0.1	—
Others	18.2	13.2	17.0	12.0	5.0	3.0	(58.3)
Total	**137.7**	**100.0%**	**141.6**	**100.0%**	**161.8**	**100.0%**	**14.3%**

Source: Lehman Brothers Kuhn Loeb Research

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'82 Beer sales

(Continued from page 31)

population consumes 70% to 80% of the product. These consumers are primarily in the teens through early 30s. Considering the fact that this segment is declining and that the "war baby boom" group is now in the 35-36 age range, the industry is also facing a demographic challenge.

Growth in the light segment reflects virtually all of these factors. These low-caloric beers have growth from a 2% market share in 1975 to a 17.4% share in 1982.

Meanwhile popular-priced brews have declined from 43% in 1975 to 20.7% in 1982 and are projected to decline to 10% by 1985. Premium and super premium had a combined market share of 51% in 1975. By 1982 that share had grown to 55.5%.

Market share of import continues to rise, but at a very slow rate. 1982's estimated share is estimated to be 3.1%.

Malt beverage imports by country

(000 bbls.)

	January-August						Full year				
	1981	1982	Change	1977	1978	1979	change	1980	Change	1981	Change
Netherlands	1,441	1,570	9.0%	1,030	1,538	1,995	29.7%	1,792	(10.2)%	2,104	17.4%
Canada	1,146	1,151	0.4	760	996	1,292	29.7	1,532	18.6	1,672	9.1
Germany	372	474	27.4	327	390	459	17.7	475	3.5	587	23.6
Mexico	253	226	(10.6)	170	205	294	43.4	329	11.9	350	6.4
U.K., Ireland	117	129	10.3	92	135	124	(8.1)	162	30.6	179	10.5
Australia	37	28	(24.3)	37	51	73	43.1	65	(11.0)	63	(3.1)
Japan	29	41	41.4	24	30	39	30.0	40	2.6	49	22.5
Philippines	21	24	14.3	27	28	30	7.1	23	(23.3)	38	65.2
Denmark	13	16	23.1	15	24	22	(8.3)	25	13.6	19	(24.0)
Norway	9	13	44.4	20	22	14	(36.4)	16	14.3	14	(12.5)
Other	80	138	72.5	44	52	82	57.7	111	35.4	145	30.6
Total	**3,518**	**3,810**	**8.3%**	**2,546**	**3,471**	**4,424**	**27.5%**	**4,570**	**3.3%**	**5,220**	**14.2%**

Source: Lehman Brothers Kuhn Loeb Research

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Brewers' production

(Mil. bbls.)

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982E	Year-end Capacity 1982E
Anheuser-Busch	24.3	26.6	29.9(g)	34.1	35.2	29.1	36.6	41.6	46.2	50.2	54.5	59.0	65.0
Miller	5.1	5.4(d)	6.9	9.1	12.9	18.4	24.2	31.3	35.8	37.2	40.3	39.9	44.0
Stroh (a)	26.0	28.6	31.5	32.8(h)	34.3	35.1	32.9	29.8	26.4	24.8	23.4	23.3	30.0
Heileman (b)	9.4	9.9	10.5	9.5	10.0	9.6	10.6	10.5	11.3	13.3	14.0	14.5	17.0
Pabst	11.8	12.5	13.1	14.3	15.7	17.0	16.0	15.4	15.1(k)	15.1	13.5	12.5	17.5
Coors	8.5	9.8	10.9	12.3	11.9	13.5	12.8	12.6	12.9	13.8	13.3	12.0	15.0
Olympia (c)	4.2	4.4	4.7	5.3	6.6	7.3	6.8	6.7	6.0	6.1	5.7	5.2	9.0
Genesee	1.6	1.7	1.9	2.1	2.4	2.5	2.8	3.0	3.4	3.6	3.6	3.4	4.0
Schmidt	3.2	3.2	3.5	3.5	3.3	3.5	3.5(i)	3.8	3.8	3.6	3.2	3.2	4.3
General	5.1	6.2(e)	6.0	5.8	6.1	4.2	4.2	3.5(j)	3.0	2.6	2.1	1.8	8.8
Pittsburgh	1.0	0.8(f)	0.9	0.9	0.9	0.8	0.7	0.6	0.7	1.0	0.9(f)	1.0	1.2
All Others	29.7	24.8	20.5	17.9	11.2	11.2	8.1	6.5	9.9	5.2	4.7	3.6	5.1
Subtotal	**129.9**	**133.9**	**140.3**	**147.6**	**150.5**	**152.2**	**159.2**	**165.3**	**170.7**	**176.5**	**179.2**	**179.4**	**220.9**
Less Tax-free Exports and Military	2.5	2.1	1.8	2.1	1.9	1.8	2.3	2.6	2.6	3.1	2.5	2.4	
Subtotal	**127.4**	**131.8**	**138.5**	**145.5**	**148.6**	**150.4**	**156.9**	**162.7**	**168.1**	**173.4**	**176.7**	**177.0**	
Imports	0.9	0.9	1.1	1.4	1.7	2.4	2.5	3.5	4.4	4.6	5.2	5.7	
Consumption (Total)	**128.3**	**132.7**	**139.6**	**146.9**	**150.3**	**152.8**	**157.1**	**165.7**	**172.5**	**178.0**	**181.9**	**182.7**	

(a) Schaefer & Stroh combined for all years; Schlitz is now part of Stroh.
(b) Includes Carling National for all periods except first three months of 1979.
(c) Includes certain assets of Hamm's acquired March 1975, and pro forma for Lone Star for all years. Pabst now owns 49% of the stock.
(d) Pro forma for purchase of Meister Brau as of July 1972.
(e) Pro forma for purchase of Ballantine as of March 31, 1974.
(f) Strikes in August-September 1972 and May 1981.
(g) Impacted by strike.
(h) A 40-day strike in April-May had an adverse effect on sales of Stroh.
(i) Includes Rheingold as of December; Rheingold's previous volume included in All Others.
(j) Pro forma for Pearl acquisition in January 1978.
(k) Includes Blitz.
Source: Lehman Brothers Kuhn Loeb Research

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SOFT DRINKS ☐ BEER ☐ BOTTLED WATER ☐ WINE ☐ POWDERS ☐ JUICES ☐ SPIRITS

FEBRUARY 11, 1983

Beverage Industry

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An HBJ PUBLICATION

Measuring plant line efficiency: performance + maintenance + qc

SPECIAL REPORT—What is line efficiency? How do you determine it? Is it a true measure of line capacity? How do you design a line to maximize efficiency?

These questions have long plagued plant operators, equipment suppliers and line designers. There are no clear cut answers, even the experts disagree.

One thing they do agree on, however, is that true line efficiency will be greatly affected by plant personnel performance, maintenance and quality control.

Quality control? Yes, quality control of incoming materials. Eight out of 10 suppliers who offer equipment to the beverage industry made this point in a recent telephone survey. "If my equipment is not provided with the proper corrugated cases, it will not run at the highest rate of efficiency."

Here's another:

"We recently installed a high speed filler in a new line. It was a smooth installation and everything checked out fine at the end of three months. A couple of weeks after we cleared out of the plant, we got a call telling us that production was going to hell in a hand basket.

"We rushed a sales engineer out there and we found that this guy had picked up several truck loads of bad glass and the bottles were exploding all over the place."

Advice from those experts: the quality control function should not just be limited to checking incoming ingredients, responsible individuals have got to check incoming

(Continued on page 28)

BI Week

• Royal Crown Cola has won its first legal skirmish, this one the suit by Joyce Beverages, NY, asking for an injunction to prevent RC from removing its franchise if the bottler signed an agreement with Seven-Up to produce and

(Continued on page 29)

Pres. Reagan shoots down tampering bill

WASHINGTON, DC—On the coattails of the Tylenol controversy came the 97th Congress' attempt at giving the soft drink industry a New Year's gift—a law making it a felony for tampering with food, drugs, devices or cosmetics. But President Reagan

(Continued on page 27)

Commerce report says industry feeling the pinch

WASHINGTON, DC—Last year's economic woes took their toll on overall beverage consumption and container production, reports the Commerce Department's U.S. Industrial Outlook.

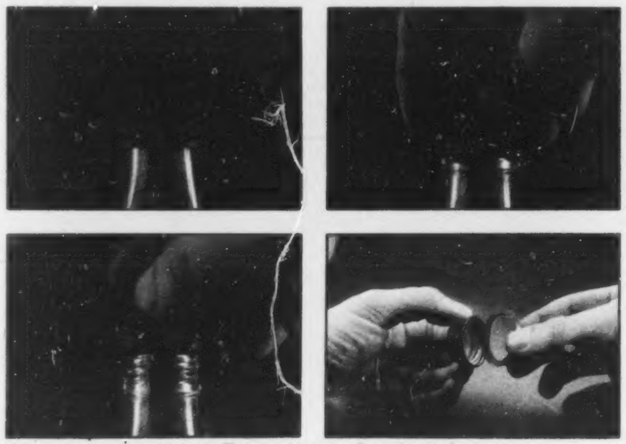
High unemployment and consumer concern about the sluggish economy resulted in more conservative purchasing patterns for alcoholic beverages, where per capita consumption "declined fractionally," the agency noted. However, purchasers seemed to prefer imported beers and wines, so the domestic industry spent an estimated $1.2 billion in advertising last year in an effort to increase consumption and improve market share.

Malt beverage dollar volume rose 8.4% to $11 billion in 1982, but when adjusted for inflation, the increase was equivalent to 1.2% compared with the 4% average annual growth experienced in the last decade. The consumption slowdown reflects "the growing proportion of elderly persons in the population and the diminishing number of new users reaching the legal drinking age," Commerce claims.

But those consumers remaining faithful and loyal to their brews found that retail prices rose only 5% due to intense industry competition, compared with an 8% price hike between 1977-1981. In-

(Continued on page 30)

BI Package of the Week



When removing Alcoa's Talog closure, the plastic band fractures and partially separates from the closure. Once opened, the plastic element can be removed from the cap.

Alcoa's Talog closure is plastic, aluminum combo

RICHMOND, IN—Starting early in 1983, test quantities—up to 10,000—of Talog closures will be available from Closure Systems International, located here.

The new closure was developed by the Alcoa Div.'s German affiliate, Alcoa Deutschland, and is in use in several European markets. It can be used on both glass and plastic.

First look at the closure for the U.S. markets was at the recently concluded NSDA exposition in Atlanta. Samples were shown and information was made available by key executives.

Talog (the name has been trademarked by Alcoa) combines the aluminum roll-on concept with a mechanical plastic pilferproof/tamper-evident band. The components are preassembled and supplied to bottlers for application using current RO equipment.

The pilferproof band is a circumferential hook that catches under the standard pilferproof locking ring on the bottle. The band is carried in a retaining "groove" in the unapplied aluminum shell (Fig. 1, page 28).

During topsiding the plas-

(Continued on page 28)

Contents

Line efficiency analyzed in report

What constitutes line efficiency? In a special **BI** report, the topic is discussed with a number of experts in the field.

Three aspects of line efficiency — quality control, maintenance and top management involvement — are the first aspects discussed in the report.

Virtually all sources **BI** talked with agreed that speed of the equipment is a factor, but not the only one. Many of them express resistance at the predominant industry opinion that speed and performance up to speed is the single most important aspect.

Most of the experts agreed that output matters much more than efficiency or speed, stressing that it is important to know what a line's capacity is in getting the product out there to meet sales demands and inventory requirements. See **page 1.**

'Sound investments' include A-B, Pepsi

According to a third quarter report by beverage analyst Joseph Doyle of Smith Barney Harris Upham and Co., the beer and soft drink industries remain sound investments, even in spite of the recession.

Doyle adds that Anheuser-Busch and PepsiCo are his first investment choices.

Doyle reports volume and earnings momentum are very strong, margins are expanding and earnings forecast from Wall Street are being increased for A-B. He also cites the A-B-owned St. Louis Cardinals victory in the World Series over Milwaukee as another reason for success.

As for Pepsi, Doyle says the company's disappointing earnings in this past year's second half created a good '83 purchase opportunity.

The report also shows that third quarter volume was not as great as anticipated in both industries, and growth should be slow but not devastating. See **page 4.**

Conveyor technology discussed in column

Jerry East, president, sales, of the Simplimatic Engineering Co. authored a special report for **BI** in which he discusses the growing need for speed filling and transporting lines for lightweight aluminum beverage and beer cans.

According to East, this need is being met by conveyor technology which combines precision assemblies with acceleration/deceleration techniques that protect cans from jamming and damage.

In 1982, Simplimatic Engineering Co. (SECO) helped to convert three high-speed two-piece steel can lines to aluminum. One operates at up to 3,000 cans per minute. For diagrams and information, see **page 14.**

'82 NSDA coverage cont'd in this issue

Extensive booth coverage from the NSDA convention in Atlanta, Nov. 30 through Dec. 2, continues in this issue.

Advertising and promotion materials, computer systems, quality control, secondary and tertiary packaging systems, sanitizers and other areas are covered thoroughly.

Coverage is extensive because many exhibitiors were introducing new products and trends while at the '82 InterBev Conference and NSDA expo, where approximately 14,700 soft drink execs, exhibitors and guests were on hand. That total is about 300 more than the last record-setting Atlanta meeting.

Plant renovation in 10 steps

Plant renovation is a truly fascinating subject, says **BI's** John Shaw, contributing editor of facilities planning, but one that's riddled with possible dangers.

In a special article, Shaw outlines 10 steps, that, if followed properly, many hazards can be kept to a minimum. See **page 16.**

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SOFT DRINKS □ BEER □ BOTTLED WATER □ WINE □ POWDERS □ JUICES □ SPIRITS FEBRUARY 11, 1983

Beverage Industry

MARKETING □ DISTRIBUTION □ TECHNOLOGY AN (HBJ) PUBLICATION

Report calls soft drinks, beer 'sound investments'

SPECIAL REPORT—In spite of the recession, the beer and soft drink industries remain sound investments, a third quarter report by a market analyst says.

Joseph Doyle of Smith Barney Harris Upham and Co. adds that Anheuser-Busch and PepsiCo are his first investment choices.

Doyle says volume and earnings momentum is very strong, margins are expanding and earnings forecast from Wall Street are being increased for Anheuser-Busch. In addition, their wholly owned St. Louis Cardinals won the World Series.

About PepsiCo, Doyle says disappointing earnings in this year's second half has created a good purchase opportunity.

Doyle says that while both soft drink and beer stocks are traditionally unaffected by a recession, they're now also benefitting from disinflation because while product prices are decreasing, costs are decreasing at an even greater rate.

Doyle's report also shows that third quarter volume was not as great as anticipated in both the beer and soft drink industry.

As a result, it's anticipated that consumption for the year will only be up about 1% in the beer industry and 2.7% in the soft drink industry.

Slow growth rates for the

(Continued on page 10)

The light beer category

(millions of 31-gallon barrels)

	1980	1981	1982
Light category	22.4	26.5	31.0
As % of total industry	12.6%	14.5%	16.7%
% growth from year before	+15.0%	+18.3%	+17.0%
Major brands			
Lite Miller	12.8	15.3	16.0
Natural Light	2.3	2.0	1.6
Michelob Light	2.3	2.6	2.6
Budweiser Light	—	—	3.2
Total Anheuser	4.6	4.6	7.6
Coors Light	2.2	3.0	2.7
Pabst Light	0.5	0.4	0.3
Schlitz and Old Milwaukee	0.5	0.6	0.6
All Others	1.8	2.6	3.8
—Lite as % of category	57%	58%	52%
—Total Anheuser as % of Category	21%	17%	25%

Source: Smith Barney, Harris Upham & Co.

Copyright: Beverage Industry February 11, 1983

Labatt's Light introduced in 4 U.S. cities

DES PLAINES, IL — Labatt's Light, the first Canadian light beer to reach the U.S., was made available recently in selected U.S. test markets, namely Boston, Detroit, Buffalo and Rochester.

The beer is now available in 28 states, but probably won't go national for about three to four years, according to Linda Thomas, marketing manager of Labatt Importers, Inc. located here.

"We hope to roll out in additional markets in the spring," Thomas added.

Company officials believe the solid success of Labatt's Light in Canadian markets prompted its introduction into the U.S.

The launch of Labatt's Light in the four markets is being supported by a magazine and newspaper advertising campaign with ad insertions in both local and regional editions of national publications. A public relations program that includes selected product sampling is in the works to give additional marketing support.

Light's advertising budget has reached in excess of $300,000 per year in each test market area, Thomas said. The "selected product sampling" is conducted in certain bars and other establish-

(Continued on page 9)

Can sales outstrip market as Europe's SD sales grow

LONDON—Despite the European recession, Canadean European Soft Drinks Service's preliminary estimates indicate a 3% rise in consumption of carbonated soft drinks. This compares with a growth of less than 1% in 1981 and an actual decline of 2% in 1980. The recovery was fairly widespread across Europe, says Canadean.

Of the seven major markets which account for 88% of total European soft drinks consumption, only Spain and Holland registered volume declines this year. The remaining five enjoyed well above average growth. In Germany, which accounts for nearly a third of total carbonate consumption, volume sales are projected to have risen 4%. Increases of 6% are expected in the United Kingdom and Italy, 5% in France.

Overall, can sales are projected to show the greatest increases. The UK enjoyed a 25% jump in consumption of canned carbonates. Elsewhere in Europe, sales of carbonates in cans will have shown similar gains in 1982. In Germany, they were up by 10%; in Spain, 8%; France, 21%; and further growth was experienced in Italy.

Canadean reports the main reason for the jump in Italy's can sales has been the competitive battle between Seven-Up and Sprite, which together account for the vast majority of the lemon-lime segment there.

In Spain, where the lemon-lime segment has been boosted

(Continued on page 12)

Italy carbonates: lemon-lime segment by brand 1981-1982

	1981 m litres	1982e m litres	% Change
Sprite (Coca-Cola)	20	30	50
Seven-Up	5	15	200
Laimsix (Fonti Levissima)			
Frees (San Benedetto)	1	5	400
Schweppes (premium) Gassose			
Total	26	50	92

e: preliminary estimate

Source: Canadean European Soft Drinks Service.

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European carbonates consumption overview: 1981 vs 1982

(m litres)

	1981	1982*	% Change
Germany	4,662	4,848	4.0
UK	1,975**	2,100	6.3
Spain	1,929**	1,890	−2.0
Italy	1,545	1,635	6.0
France	1,152**	1,210	5.0
Netherlands	836	819	−2.0
Belgium	569	590	4.0
Total	12,668	13,092	3.3

Note: The seven countries account for 88% of total European soft drinks consumption (15 country basis)

* preliminary estimates

** revised

Source: Canadean European Soft Drinks Service

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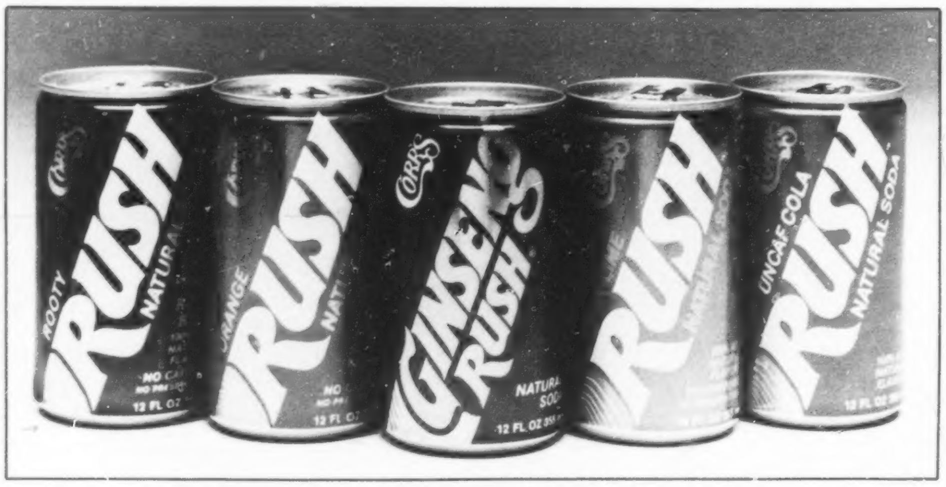
ROOTY RUSH NATURAL
ORANGE RUSH
CORR'S GINSENG RUSH NATURAL SODA
RUSH
UNCAF COLA RUSH NATURAL SODA
12 FL OZ

Corr's Beverage offers five in 12 oz. cans

CHICAGO, IL—Corr's Herbal Beverage Co. is now offering five of its 10 flavor soft drink line in 12 oz. aluminum cans.

Ginseng Rush, Rooty Rush, Cola Rush, Lemon-Lime Rush and a new flavor, Orange Rush, are available in this new package.

The cans are color-coded to their contents with the company name, Rush, the center of focus. The line of drinks are billed as "natural soda."

"All are caffeine-free, use no preservatives, and contain nothing that is artificial or synthetic," said Robert Corr, founder and owner of the company.

The cans come in plastic Hi-Cone holders and are available in many health food stores around the country.

• For more information on **Corr's Herbal Beverages,** circle no. 223

Investments

(Continued from page 4)

year are being blamed on the economy and the high unemployment rate, plus cool weather.

In spite of these slow gains, Anheuser-Busch should continue to accelerate to 8.3-8.8% and its overall market share should reach 32%, compared to an expected 22% share for second place Miller, which will probably go unchanged from last year's share, the report says.

Other brewers are showing negligible changes in their market share. The Stroh's-Schlitz-Schaefer combination is expected to have a 12.2% share, down .6%; 7.8% for Heileman, up .1%; and 6.8% for Coors, 6.6% for Pabst and 2.9% for Olympia; all down in shares.

In the soft drink industry, Doyle foresees only PepsiCo, Seven-Up and Crush making industry gains, but only Seven-Up's should be meaningful.

Price increases in both the beer and soft drink industry have been decelerating, and the rate of disinflation has been greater than expected. Projections for 1982 are a 2.9% price increase for soft drinks and a 4.9% for beer.

Costs have been down for both the beer and soft drink industry, and although further drops aren't expected, Doyle says high rates of reaccelerated costs aren't anticipated either. Costs, however, will be up in 1983, the report says.

Costs in both industries are expected to remain fairly stable with only slight increases. Bottle and can costs, which are about 40% of the total wholesale cost will also stay stable, mostly because of manufacturing overcapacity, the report says.

Doyle's reaction to the announcement that Anheuser-Busch plans to purchase Campbell Taggart for $570 million was "mildly negative."

The reaction was not because Doyle views Campbell Taggart, the second largest company in bread and baked goods in the country, as unattractive, but because any acquisition would dilute Anheuser-Busch's expected high rate of earnings.

Campbell Taggart is projected to grow at its historical 12% rate, which Doyle says is excellent for the baked goods industry.

Doyle says since this is an excellent outlook, he still views Anheuser-Busch favorably.

The report suggests that investors not look at the soft drink or beer industry as a whole, but to be selective. And it concludes that Anheuser-Busch and PepsiCo are still the best investments in the industry.

Top brewers' volume share of market 1965-85E

(millions of 31-gallon barrels)

% Market Share	1965	1975	1978	1979	1980	1981	1982E	1985E
Anheuser-Busch	11.7%	23.4%	25.1%	26.8%	28.2%	29.8%	32.0%	34.5%
Miller	3.7	8.6	18.9	20.7	21.0	22.0	22.0	23.6
Heileman	1.0	3.0	4.3	6.5	7.5	7.7	7.8	8.8
Schlitz	8.5	15.5	11.8	9.7	8.4	7.8	7.5	6.9
Stroh's-Schaefer	—	7.3	6.2	5.6	5.5	5.0	4.8	5.2
Pabst*	8.1	10.4	9.3	8.7	8.5	7.4	6.6	5.5
Coors*	3.6	7.9	7.6	7.5	7.8	7.3	6.8	6.8
Olympia	—	4.4	4.0	3.5	3.4	3.1	2.9	2.5
All Others	63.4	19.4	12.8	10.9	9.7	9.9	9.7	6.2
A-B and Miller	15.4	32.0	44.0	47.5	49.2	51.9	54.0	58.1
% Point change in annual market share(s)								
Anheuser-Busch	—	+1.2	+0.6	+1.7	+1.4	+1.6	+2.2	+0.8
Miller	—	+0.5	+3.4	+1.8	+0.3	+1.0	0.0	+0.5
Heileman	—	+0.2	+0.4	+2.2	+1.0	+0.2	+0.1	+0.3
Schlitz	—	+0.7	−1.2	−2.1	−1.3	−0.6	−0.4	−0.1
Stroh's-Schaefer	—	—	−0.3	−0.6	−0.1	−0.5	−0.1	+0.1
Pabst*	—	+0.2	−0.4	−0.6	−0.2	−1.1	−0.8	−0.4
Coors*	—	+0.4	−0.1	−0.1	+0.3	−0.5	+0.4	0.0
Olympia	—	—	−0.1	−0.5	−0.1	−0.3	−0.2	−0.1
All Others	—	−3.2	−2.2	−1.9	−1.1	+0.2	−0.2	−1.2
A-B and Miller	—	+1.7	+4.0	+3.5	+1.7	+2.6	+2.1	+1.4
Industry volume	**100.8**	**150.3**	**165.8**	**172.6**	**177.9**	**182.8**	**185.0**	**207.5**
Anheuser-Busch	11.8	35.2	41.6	46.2	50.2	54.5	59.3	71.5
Miller	3.7	12.9	31.3	35.8	37.3	40.3	40.7	49.0
Heileman	1.0	4.5	7.1	11.2	13.3	14.0	14.5	18.3
Schlitz	8.6	23.3	19.6	16.8	15.0	14.3	13.8	14.5
Stroh-Schaefer	—	11.0	10.2	9.6	9.7	9.1	8.8	10.8
Pabst*	8.2	15.7	15.4	15.1	15.1	13.5	12.3	11.0
Coors*	3.6	11.9	12.6	12.9	13.8	13.3	12.5	14.1
Olympia	—	6.6	6.7	6.0	6.1	5.7	5.3	5.2
Total Top Six	**36.9**	**103.5**	**127.6**	**138.0**	**144.7**	**149.9**	**153.1**	**178.4**
% Market Share of Top Six	**36.6%**	**68.9%**	**77.0%**	**80.0%**	**81.3%**	**82.0%**	**82.8%**	**86.0%**
% Share of A-B and Miller	**15.4%**	**32.0%**	**44.0%**	**47.5%**	**49.2%**	**51.9%**	**54.1%**	**58.1%**

E—Estimated by SBHU.

Note: Stroh's and Schaefer historical data are combined even though these companies were separate until 1980. Stroh's acquired Schlitz in June 1982, but we show the data separately. Pabst and Olympia are in the process of merging.

(a) Market share point changes *per annum* shown for 1965-75, 1975-78, and 1982-85 periods.

*Smith Barney, Harris Upham & Co., Incorporated usually maintains a market in the securities of this company.

Source: Company reports

Copyright: Beverage Industry
February 11, 1983.

Top soft drink companies' share of market 1968-83E

Market share	1968	1975	1979	1980	1981	1982E	1983E
Coca-Cola	34.4%	34.8%	34.6%	34.9%	34.9%	34.9%	35.0%
PepsiCo	22.1	22.1	24.6	24.7	25.4	25.5	25.8
Dr Pepper	3.5	5.9	6.7	6.8	6.6	6.2	6.1
Canada Dry	3.7	3.5	2.9	2.8	2.7	2.7	2.7
Seven-Up	7.7	8.4	7.0	6.7	6.4	6.7	6.9
Royal Crown	7.2	5.7	4.5	4.4	4.2	4.2	4.1
Crush	2.7	3.3	3.7	3.7	3.7	3.8	3.9
All Others	18.8	16.9	16.1	16.0	16.0	15.8	15.5
Point change in annual market share (a)	**1968**	**1975**	**1979**	**1980**	**1981**	**1982E**	**1983E**
Coca-Cola	—	+0.1	−0.1	+0.3	0.0	0.0	+0.1
PepsiCo	—	0.0	+0.6	+0.1	+0.3	+0.1	+0.3
Dr Pepper	—	+0.3	+0.2	+0.1	−0.2	−0.4	−0.1
Canada Dry	—	0.0	−0.2	−0.1	−0.1	0.0	0.0
Seven-Up	—	+0.1	−0.4	−0.3	−0.3	+0.3	+0.2
Royal Crown	—	−0.2	−0.3	−0.1	−0.2	0.0	−0.1
Crush	—	+0.1	+0.1	0.0	0.0	+0.1	+0.1
All Others	—	−0.3	−0.1	−0.1	0.0	−0.1	−0.3
Addendum Industry Volume (288 oz. cases, millions)	**2,025.7**	**2,791.9**	**3,732.3**	**3,866.7**	**3,992.5**	**4,100.0**	**4,265.0**
% Change from prior period	—	+4.7%	+7.5%	+3.6%	+3.2%	+2.7%	+4.0%
% Annual Growth over prior 5 years	—	+4.3	+6.3	+6.7	+5.0	+3.9	+3.5

E—Estimates by SBHU.

(a) 1968-1975 and 1975-1979 periods show market share point changes are *per annum*.

Note: All data compiled by SBHU. Dr Pepper and Canada Dry merged in early 1982, but their data is shown separately.

Source: Smith Barney, Harris Upham & Co.

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February 11, 1983.

Leopard Beer introduced in West in 25 oz. bottles

Leopard packages now available in the west include, from left, the new 25-oz. bottle and the traditional 12-oz. bottle.

IRVINE, CA—Leopard Deluxe Lager Beer of Leopard Brewery Ltd. of New Zealand has introduced a new 25 oz. bottle in 13 western states.

Leopard is imported by the Wisdom Import Sales Co., Inc., located here, and will be available to Wisdom retailers this month in the new size.

The beer is also offered in 12 oz. bottles in six-pack carriers.

Artwork on the new 25 oz. bottle features the same scenic label as the 12 oz. size package.

The new bottle is designed for single bottle sales, but it's available in a 12 bottle master carton also.

Leopard is one of New Zealand's most popular beers and has won a variety of international awards including first place at the International Brewing, Bottling and Allied Trades Exhibition in London in 1976. Leopard topped entries from 23 countries in the International Bottled Lager Division.

"The oversized packages are among the fastest growing segments of the import beer market here in the west, and we believe this new larger Leopard bottle will significantly expand awareness and sales for the brand in our market area," said John Marches, Wisdom's executive vice president.

The 13 states that the new package is available in include California, Arizona, Wyoming, Oregon, New Mexico, Colorado, Nevada, Idaho, Utah, Hawaii, Montana, Washington and Alaska.

Executive suggests ways to get most for machinery

BRISTOL, CT—Many industrial companies have been re-evaluating themselves intensely ever since the U.S. economy fell into a recession, says Gavlick Machinery Corp., the largest used machinery stocking dealer in the country.

And what many companies have found, after taking a closer look at themselves, is that they can shut down product lines, sell their equipment and use the money they obtain to improve their profits.

"But many companies are only getting what they think the equipment and machinery is worth, not what the equipment and machinery is really worth," contends Richard E. Gavlick, president of the company.

Gavlick has offered some simple pointers in getting the real value for equipment and machinery:

He says not to pirate parts from the machine for other equipment in a prospective plant. In most cases, the removal of parts from one machine will substantially lessen the resale value of that machine to a greater degree than the cost of a new spare part.

Secondly, where possible, Gavlick suggests leaving products on the machine that the machine was running. He cites examples: on a strander, leave bobbins in the cradle and strand in the machine and on the spooler; or in the case of a wire drawing machine, leave it strung up, he says. This enables the potential buyer to see the finished product as well as to help him easily understand its operation.

Where possible, says Gavlick, do not remove equipment from its location, leaving it with the power on. An extruder, cabler or closer will bring higher dollars if it can be seen in place and under power.

buyer inspection

Gavlick maintains that all machinery must be clean and in good working condition; other spare parts, components or accessories should be placed properly alongside of it, such as change gears, capstans, cradles and trunnions. Also, he suggests that machinists make sure the machinery has sufficient space around it to enable a proper inspection by potential buyers. If a buyer cannot properly inspect a machine because of its inaccessibility, he says, he is automatically

(Continued on page 22)

Pepsi bottler's safari promotion wins O-I prize

TOLEDO, OH—The Pepsi-Cola Bottling Co. of Ft. Lauderdale-Palm Beach, Inc., has won the grand prize in the 1982 Owens-Illinois, Inc., "Thirst for Adventure" promotion.

That bottler's idea to promote soft drinks in Single Service Plasti-Shield bottles was judged best among 40 prize-winning entries in the second part of O-I's national contest for bottlers.

The 10 members of the winning team win a vacation at The Homestead, a luxury mountain resort located on 16,000 acres at Hot Springs, VA. They had a choice between an ocean cruise, a white water rafting expedition or a resort vacation.

The team used palm-thatched booths in supermarkets to encourage consumers in five communities to sample and purchase Pepsi-Cola and allied brands of soft drinks in specially priced 16-oz. Single Service Plasti-Shield bottles in four-unit Contour-Pak carriers.

Costumed team members dispensed complimentary

(Continued on page 20)

Hopkins

(Continued from page 11)

Hopkins said an attempt to curb that neglect can be seen in a proposed industry-subsidized publication aimed at the infrequent wine consumer.

"Most articles and magazines tend to be about fine wines and go over peoples' heads," he said. "This new publication would be for retailers and consumers who are interested in wine but not yet comfortable with it. Our current wine market is limited, but the potential has hardly been tapped."

More than 5,000 compete in Canada Dry's contest

Shortly after the contest broke, Evelio Tabio, finance manager, and Mercy Acevedo, secretary/receptionist, opened the mail for a portion of the more than 5,000 entries received.

MIAMI—Over 5,000 area consumers were entrants in this year's recently-concluded "Dinner For Two" contest sponsored by the local Canada Dry Bottling Co.

This is the second year the bottler has conducted the contest and according to Matt Russ, general sales manager, both years have been resounding successes.

The contest accomplishes two things, says Russ. It increases sales of Canada Dry club soda and it affiliates the brand with 25 top area restaurants, all Canada Dry customers.

The contests are promoted in area newspapers and with entry blank/neck hangers on club soda bottles. Winners are selected at random and receive a free dinner for two at one of the area restaurants. A dinner for two is also awarded to the retailer named on the entry blank. In all, 50 dinners are awarded.

European SDs

(Continued from page 4)

by the entry of Seven-Up and Sprite, sales were up 45% in the first six months and will have accelerated in the second half of the year.

Seven-Up, backed by new owner Philip Morris, is clearly moving to expand from its established base in the Netherlands, Canadean suggests. New launches in Italy, Spain and Belgium, as well as the fact that Seven-Up has changed its UK franchise from Schweppes to Beechum, Britain's largest soft drink manufacturer, support this.

UK carbonates: packaging based on apparent consumption

	1981		1982^e		
	%	m litres	%	m litres	% Change
Cans					
Sales		373		455	22.0
Imports		33^e		50	51.5
Exports		18^e		20	11.1
Consumption	19.5	388	23.0	485	25.0
PET	15.0	300	17.0	360	20.0
Bulk	7.0	135	7.0	148	7.6
RB	44.0	865	39.5	830	−4.0
NRB	14.5	287	13.5	277	−3.5
Total	**100.0**	**1975**	**100.0**	**2100**	**6.3**

e: preliminary estimates
RB: Returnable glass Bottles
NRB: Non Returnable glass Bottles

Source: Canadean; European Soft Drinks Service

Copyright: Beverage Industry
February 11, 1983

Commerce

(Continued from page 1)

roads made by imported beers were substantial, the department added, where the value of imports jumped 14% and the quantity rose 10%. "Taste characteristics of imported beers are important reasons for their popularity," the outlook stated.

wine sales

Domestic wine sales were off as well, where consumption rose only 3% last year, after rising over 6% annually since 1977-1981. Here too, imports accounted for a large segment of the wine market, "helped by the strengthened purchasing power of the U.S. dollar and the buying patterns of cost-conscious consumers."

Commerce noted that last fall, the price of a 1.5 liter bottle of "good" imported wine was 15 - 30% below comparable domestic wines. Consequently, imports' share of the table wine market rose 5% last year and approximately 26% of wine consumption was attributed to imports.

Nevertheless, the growing popularity of wine among young adults had encouraged domestic producers to expand production. Since 1970, the number of California wineries has almost doubled, Commerce reported. While wholesale domestic wine prices rose 9% last year, consumer prices only jumped 5% compared with an annual average hike of 9% from 1976 to 1981.

alcoholic beverages

The overall outlook for the alcoholic beverage industry this year is mixed, Commerce claims. Major consumption gains are unlikely since the drinking age population will continue its slow growth and competition among rival products for a larger market share should intensify. As for the long run, the department predicts that between 1982 and 1987, the value of alcoholic beverage shipments should rise 4% annually.

The trends in the alcoholic beverage industry are also evident for canned and bottled soft drinks. Consumption and output have increased but at a slower rate since 1979. Commerce noted that per capita consumption rose 1.8% in 1981 and another 1.7% last year, compared with the average annual gains of 2.9% from 1972 to 1979.

Between January and August last year, soft drink prices remained relatively constant due to intense industry competition and declining sweetener prices, Commerce noted. As a result, soft drink producers' profit margins suffered.

The industry has acknowledged the declining teenager population and has branched out into product segmentation to increase the total soft drink market among adults—a practice that should continue for the next five years. Sweetened and diet decaffeinated products have surfaced as have plain seltzer

Alcoholic beverages: Trends and projections, 1972-83

(in millions of dollars except as noted)

Item	1972	1977	1979	1980	1981[1]	1982[2]	Compound annual rate of growth 1972-82	1983[3]	Percent change 1982-83[3]
Industry data									
Value of shipments[4]									
Malt beverages (SIC 2082)	4,054	6,653	8,353	9,362	10,425	11,541	—	—	—
Wine and brandy (SIC 2084)	865	1,363	1,954	2,189	2,441	2,707	—	—	—
Distilled spirits (SIC 2085)	1,798	2,296	2,996	3,389	3,741	4,110	—	—	—
Total	6,717	10,312	13,303	14,940	16,607	18,358	—	—	—
Value of shipments (1972 $)[4]									
Malt beverages (SIC 2082)	4,054	5,234	5,709	5,892	6,090	6,352	4.6	6,616	4.2
Wine and brandy (SIC 2084)	865	1,116	1,306	1,311	1,345	1,375	4.7	1,410	2.6
Distilled spirits (SIC 2085)	1,798	1,825	2,119	2,225	2,235	2,341	2.7	2,489	6.3
Total	6,717	8,175	9,133	9,428	9,670	10,068	4.1	10,515	4.4
Total employment (000)									
Malt beverages (SIC 2082)	52	44	44	43	43	41	−2.2	41	—
Wine and brandy (SIC 2084)	9	9	12	11	11	11	1.9	10	−9.1
Distilled spirits (SIC 2085)	18	16	15	14	14	14	−2.0	14	—
Total	79	69	71	68	68	66	−1.8	65	—
Production workers (000)									
Malt beverages (SIC 2082)	34	31	31	31	30	28	−1.9	28	—
Wine and brandy (SIC 2084)	6	5	8	7	7	6	—	6	—
Distilled spirits (SIC 2085)	15	12	12	11	11	10	−4.0	10	—
Total	55	48	51	49	48	44	−2.2	44	—
Average hourly earnings of production workers ($)									
Malt beverages (SIC 2082)	6.11	9.64	12.26	13.09	14.52	16.37	10.4	—	—
Wine and brandy (SIC 2084)	4.08	6.63	6.64	8.16	8.97	9.97	9.3	—	—
Distilled spirits (SIC 2085)	4.63	7.06	8.08	8.23	9.04	10.50	8.5	—	—
Weighted average	5.48	8.68	10.39	11.29	12.45	14.16	10.0	—	—
Capital expenditures									
Malt beverages (SIC 2082)	156	410	645	648	—	—	—	—	—
Wine and brandy (SIC 2084)	44	51	71	59	—	—	—	—	—
Distilled spirits (SIC 2085)	33	36	47	54	—	—	—	—	—
Total	233	497	770	761	—	—	—	—	—
Product data									
Value of shipment[5]									
Malt beverages (SIC 2082)	4,039	6,613	8,491	9,298	10,134	10,986	—	—	—
Wine and brandy (SIC 2084)	851	1,356	1,996	2,284	2,571	2,822	—	—	—
Distilled spirits (SIC 2085)	1,557	1,955	2,575	2,906	3,208	3,525	—	—	—
Total	6,447	9,924	13,062	14,488	15,913	17,333	—	—	—
Value of shipments (1972 $)[5]									
Malt beverages (SIC 2082)	4,039	5,203	5,804	5,852	5,946	6,011	4.1	6,071	1.0
Wine and brandy (SIC 2084)	851	1,112	1,332	1,368	1,408	1,441	5.4	1,480	2.7
Distilled spirits (SIC 2085)	1,557	1,554	1,821	1,908	1,916	2,007	2.6	2,059	2.6
Total	6,447	7,896	8,957	9,128	9,270	9,459	4.0	9,610	1.6
Product price index (1972 = 100)									
Malt beverages (SIC 2082)	100.0	127.1	146.4	158.9	167.5	175.1	5.8	—	—
Wine and brandy (SIC 2084)	100.0	122.1	149.8	166.9	188.0	203.8	7.4	—	—
Distilled spirits (SIC 2085)	100.0	125.8	141.4	152.3	167.4	175.6	5.8	—	—
Trade									
Value of exports									
Malt beverages (SIC 2082)	3	17	30	62	40	31	—	—	—
Wine and brandy (SIC 2084)	2	9	20	30	43	39	—	—	—
Distilled spirits (SIC 2085)	25	53	67	80	86	85	—	—	—
Total	30	79	117	172	169	155	—	—	—
Value of imports									
Malt beverages (SIC 2082)	44	179	365	405	430	490	—	—	—
Wine and brandy (SIC 2084)	230	421	710	809	913	998	—	—	—
Distilled spirits (SIC 2085)	517	632	828	903	1,028	1,009	—	—	—
Total	791	1,232	1,903	2,117	2,371	2,497	—	—	—
Export/shipments ratio									
Malt beverages (SIC 2082)	0.001	0.003	0.004	0.007	0.004	0.003	—	—	—
Wine and brandy (SIC 2084)	0.002	0.006	0.010	0.013	0.017	0.015	—	—	—
Distilled spirits (SIC 2085)	0.016	0.027	0.026	0.028	0.026	0.023	—	—	—
Import/new supply ratio[6]									
Malt beverages (SIC 2082)	0.010	0.025	0.039	0.039	0.038	0.040	—	—	—
Wine and brandy (SIC 2084)	0.213	0.236	0.262	0.262	0.262	0.275	—	—	—
Distilled spirits (SIC 2085)	0.249	0.244	0.243	0.237	0.239	0.216	—	—	—

[1] Estimated except for product price index, exports, and imports.

[2] Estimated.

[3] Forecast.

[4] Value of all products and services sold by industries SIC 2082, 2084, 2085.

[5] Value of shipments of malt beverages, wines, brandy and distilled spirits products produced by all industries.

[6] New supply is the sum of product shipments plus imports.

Copyright: Beverage Industry, February 11, 1983

Source: Bureau of the Census and Bureau of Industrial Economics. Estimates and forecasts by the Bureau of Industrial Economics.

waters and low-sodium, citrus-flavored sparkling mineral waters, the outlook states.

Last year, soft drink firms spent $300 million on advertising and promotions, a 30% increase, touting the benefits and unique characteristics of new and existing products, Commerce added.

Despite the intense industry competition, the department claims that per capita consumption should not rise significantly this year. "Consumers will probably remain price-wary and discount-oriented" while higher production and marketing costs "will probably limit profit growth." Still, soft drink shipments should rise 2.5% annually between 1982-1987.

Commerce stated that more than a third of all beverage packaging goes into beer in cans and bottles, where two thirds of beer containers are in metal cans. Although the value of metal can shipments dropped 2% last year, unit shipments of beverages increased. Generally, though, metal cans are facing stiff competition from glass and plastic containers.

glass shipments

But glass container shipments also dropped by 3.4% as they felt the competition from plastic bottles which are "aggressively seeking new markets," the department stressed. "The soft drink and beer market uses 57% of the glass containers sold and beer packaging represented nearly two-thirds of the beverage market for glass containers." The department predicts a 2.2% real growth this year for glass containers and a 3% growth rate for 1982-1987.

While the plastic bottle market is indeed growing, the value of shipments were also down 2% last year. But its market share rose thanks to consumer acceptance of PET soft drink bottles. The outlook for plastic bottles "appears bright though obstacles exist." (Specifically, technical improvements are needed for carbonation retention for small-size beer and soft drink markets.) And renewed competition from thin-walled, plastic-coated glass containers may slow the growth in market share for plastic bottles, Commerce said.

The value of shipments should rise 4% this year, with an annual growth rate exceeding 5% through 1987.

Bottled and canned soft drinks

Industry data	
Value of industry shipments (mil $)	16,799
Value added (mil $)	6,459
Total employment (000)	122
Total number of establishments[1]	2,192
Number of establishments with less than 20 employees[1]	906
Percent of industry shipments accounted for by 4 largest companies[1]	15
Major producing states accounting for largest percent of industry shipments: CA, TX, NY, OH	
Product data	
Value of product shipments (mil $)	14,497
Value of exports (mil $)	62
Value of imports (mil $)	41
Exports as a % of shipments	0.4
Imports as a % of new supply[2]	0.3
Imports as a % of apparent consumption[3]	0.3

[1] 1977 Census of Manufactures.

[2] New supply is the sum of product shipments plus imports.

[3] Apparent consumption is the sum of product shipments plus imports less exports.

Source: Bureau of the Census and Bureau of Industrial Economics. Estimates by Bureau of Industrial Economics.

Copyright: Beverage Industry
February 11, 1983

Bottled and canned soft drinks: Trends and projections 1972-83

(in millions of dollars except as noted)

Item	1972	1977	1979	1980	1981[1]	1982[2]	Compound annual rate of growth 1972-82	1983[3]	Percent change 1982-83[3]
Industry data									
Value of shipments[4]	5,454	10,007	12,544	13,909	15,230	16,799	—	—	—
Value of shipments (1972 $)[4]	5,454	6,386	6,980	6,785	6,341	6,698	2.1	6,775	1.1
Total employment (000)	121	114	119	118	119	122	0.1	122	—
Production workers (000)	46	43	45	44	43	44	−0.4	43	−2.3
Average hourly earnings of production workers ($)	3.24	4.98	5.94	6.33	6.95	7.62	8.9	—	—
Capital expenditures	207	424	565	652	—	—	—	—	—
Product data									
Value of shipments[5]	4,807	8,504	10,744	11,995	13,128	14,497	—	—	—
Value of shipments (1972 $)[5]	4,807	5,427	5,979	5,809	5,465	5,692	1.7	5,843	2.7
Product price index (1972 = 100)	100.0	156.7	179.7	206.5	240.2	254.7	9.8	—	—
Trade									
Value of exports	3	49	88	84	40	62	—	—	—
Value of imports	1	7	58	31	38	41	—	—	—
Export/shipments ratio	0.001	0.006	0.008	0.007	0.003	0.004	—	—	—
Import/new supply ratio[6]	0.000	0.001	0.005	0.003	0.003	0.004	—	—	—

[1] Estimated except for product price index, exports, and imports.

[2] Estimated.

[3] Forecast.

[4] Value of all products and services sold by industry SIC 2086.

[5] Value of shipments of bottled and canned soft drink products produced by all industries.

[6] New supply is the sum of product shipments plus imports.

Source: Bureau of the Census and Bureau of Industrial Economics. Estimates and forecasts by the Bureau of Industrial Economics.

Copyright: Beverage Industry
February 11, 1983

Alcoholic beverages

	Malt beverages	Wine and brandy	Distilled spirits	Alcoholic beverages
Industry data				
Value of industry shipments (mil $)	11,541	2,707	4,110	18,358
Value added (mil $)	4,487	1,004	2,242	7,732
Total employment (000)	41	11	14	66
Total number of establishments (1977)	131	269	104	504
Number of establishments with less than 20 employees (1977)	40	193	27	260
Percent of industry shipments accounted for by 4 largest companies (1977)	64	49	52	—
Major producing states	WI,CA,NY	CA,NY	KY,PA,IL,CA	
Product data				
Value of product shipments (mil $)	10,986	2,882	3,525	17,333
Value of exports (mil $)	31	39	85	155
Value of imports (mil $)	490	988	1,009	2,497
Exports as a % of shipments	0.3	1.4	2.4	0.9
Imports as a % of new supply[1]	4.3	25.9	22.3	12.6
Imports as a % of apparent consumption[2]	4.3	26.2	22.7	12.7

[1] New supply is the sum of product shipments plus imports.

[2] Apparent consumption is the sum of product shipments plus imports less exports.

Source: Bureau of the Census and Bureau of Industrial Economics. Estimates by Bureau of Industrial Economics.

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February 11, 1983

Efficiency

(Continued from page 29)

Other suppliers like R. A. Jones, Marq Packaging and FMC Beverage Equipment Div., are developing microprocessor monitors which cover virtually every function of their packaging equipment.

Other suppliers have taken a different direction, simplifying their units so that sophisticated monitors and operators aren't required.

One of **BI**'s sources raised the question: "I don't think the beverage industry really wants this or is prepared to pay for it.

"Remember when you start putting programmable monitors and controllers into the plant, you've got to be prepared to have the people who can operate and repair those devices . . . you're talking about the kind of sophisticated engineer that very few firms have the money to hire . . . and there are not that many of them around."

Aseptic packaging requires much more stringent operating efficiencies than other filling lines.

If an aseptic line is down for any period of time— longer than 20 minutes in most cases—the units must be shut down and thoroughly sanitized for about three hours.

One Southern dairy has solved this problem with a computer-assisted program —not one which monitors the equipment in the line, but one that assists in operating and maintaining the line.

The system—reportedly adapted from similar applications in Europe—has a day-to-day schedule of operational and preventative maintenance requirments programmed into the master computer. Each day the operator and the maintenance staff is told what it should be doing and to which part of the equipment.

If a part has to be replaced, the computer directs the people to the proper area of the parts storage area, the proper bin and the right shelf. Once the part has been installed, the computer automatically re-orders the part.

This type of "off-line" program may find wide spread application in the beverage industry. If it achieves the end result of maximizing output and at the same time increasing efficiency, it would make it possible to come to a clearer definition of efficiency and its role in proper plant operations.

B5250-2 3/12/83

SOFT DRINKS ☐ BEER ☐ BOTTLED WATER ☐ WINE ☐ POWDERS ☐ JUICES ☐ SPIRITS FEBRUARY 25, 1983

Beverage Industry

MARKETING ☐ DISTRIBUTION ☐ TECHNOLOGY

AN HBJ PUBLICATION

FDA asks for more data on PVC for wine, liquor

WASHINGTON, DC—The Food and Drug Administration (FDA) is leaning towards saying that polyvinyl chloride (PVC) containers made in accordance with industry specifications are safe for wine and liquor applications. But to stay on the conservative side, the agency wants more data from the plastics industry on all food-contact uses of PVC and their environmental impact before it determines the best means of regulating the substance.

This is how the Society of the Plastics Industry (SPI) is interpreting a recent letter from Bureau of Foods Director Dr. Sanford Miller in response to its request that FDA immediately approve PVC bottles for alcoholic beverage use.

Miller indicated that FDA agreed with SPI's migration projections for PVC bottles with residual vinyl chloride monomer (VCM) levels of 10 parts per billion (p.p.b.), stating that consumer estimated daily intake of VCM

(Continued on page 29)

FDA leaning toward voluntary sodium labeling

WASHINGTON, DC—The National Soft Drink Association has long maintained that sodium labeling should be voluntary and the Food and Drug Administration (FDA) is in agreement, based on industry's own labeling efforts to date.

The results from a survey conducted last summer have shown that 19% of grocery items now contain sodium information, a percentage

(Continued on page 6)

The Recycling Station, Inc., in Toledo, OH, has paid consumers more than $75,000 in just nine months of operation from recyclables. Consumers have brought in 3.8 million pounds of recyclables including 944 tons of glass, 77 tons of aluminum, 832 tons of newspapers, 27 tons of steel and 5 tons of plastic packaging.

BI Package of the Week

SUGAR FREE
SUGAR FREE

New Canada Dry labels add 'no caffeine' tag

NEW YORK —The first phase of a $15 million, three pronged advertising campaign for Canada Dry Ginger Ale and Sugar Free Canada Dry Ginger Ale kicked off late last month featuring the theme, "Canada Dry Ginger Ale, No Caffeine Since 1904."

The complete campaign, which represents the largest dollar commitment in the company's history, includes a five week ad blitz of the no-caffeine message; two campaigns beginning in April and running concurrently through '83: "Make Your Move to Canada Dry" and "Ginger Snap," and sponsorship of a national concert tour by Daryl Hall and John Oates.

The "No Caffeine Since 1904" message will be incorporated on all packaging materials for both the regular and sugar free products, scheduled to hit store shelves in March (see photo). Thirty second television spots are scheduled to run on early

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Profitable recycling can help fight mandatory deposit laws

By Laura Martinez
Assistant Editor

SPECIAL REPORT—When bottlers and wholesalers decide to get involved in recycling programs, one result—given the current prices being paid for aluminum, PET and cullet—can be profits. But that's not the only one.

Perhaps even more significant is that the existence of a viable recycling business can prove to be the best weapon to fight forced deposits. If you don't believe it, ask any executive from California, Washington, Arizona and Colorado—states which last November successfully voted down the mandatory deposit referendum.

As a result of those victories as well as the potential profitability of recycling, look for more activity in this area in the near future.

In fact, there already has been such a flurry of activity in Arizona, where the Beverage Industry Recycling Program (BIRP) was born 12 years ago, that BIRP president Jerry Petrie says there's no doubt recycling can be profitable.

"Three out of four aluminum cans are recycled in Arizona," Petrie claims. "The profit for the bottler in Arizona, however, depends on his particular locale, simply because recycling, a proven, viable business here, has become very competitive," he continues. "Arizona is saturated with recyclers—grocers, scrap dealers, etc. Profitability also depends on whether there is an opening in an area's market."

Arizona soft drink bottlers and beer wholesalers started BIRP in 1971 and created a marketplace for recycling. And according to several sources within the industry, many agree that Arizona has the finest BIRP program in the country—many other BIRP programs are patterned after Arizona's.

Not only is there money involved in a recycling program, but, says Petrie, "good P.R." Every bottler needs to establish an image so he doesn't look like the "big, bad corporate giant." But these "corporate giants" are genuinely concerned about saving energy as well as money.

For example, Alcoa and Reynolds Metals claim recycling not only saves energy, it also conserves capital and raw materials. An industrial facility to melt used aluminum cans may be built in half the time and at one-tenth the cost of the facilities to mine and refine ore and produce

(Continued on page 20)

BI Week

- **Midland Glass names Franklin E. Whitmore as new president. He's formerly sr. vp-manufacturing and general manager since last March.**

- **Major effort being launched in New York to delay implementation of the forced deposit legislation. If successful, the law could be delayed until next fall or March of '84. Retailers and industry continue at odds over size**

(Continued on page 45)

Contents

Recycling can lead to higher profits

If a bottler or wholesaler decides to get involved in a voluntary recycling program, one result can be profits. Another result can be a weapon to fight forced deposits.

In a special **BI** report, the potential profitability of recycling is analyzed and current trends and opinions from several well-informed sources represented as well.

Some sources **BI** interviewed say money is not the only incentive involved in establishing a voluntary recycling program, but also "good P.R." and saving energy.

Each aspect of recycling is featured: aluminum, glass and PET. PET, because it is the "baby" of the industry, is especially under scrutiny, complete with opinions from those who believe PET is not a viable recycling material to those who do.

Aluminum, of course, is the material with the highest profitability record and will probably remain so as recycling becomes more and more prevalent. See **page 1.**

FDA and NSDA agree on labeling

The National Soft Drink Assn. and Food and Drug Administration have finally agreed that sodium labeling on products should be voluntary, according to informed Washington sources.

Results from a survey conducted last summer have shown that 19% of grocery items now contain sodium information, a percentage that pleases FDA but is below its earlier projections.

Sources say FDA should publish its final sodium labeling plan in about two or three months. See **page 1.**

PVC containers may be safe

FDA is making some more concessions to the beverage industry by leaning toward saying polyvinyl chloride (PVC) containers made in accordance with industry specifications are safe for wine and liquor applications, report **BI** sources in Washington, DC.

However, the agency wants more data from the plastics industry on all food-contact uses of PVC and their environmental impact before it can determine the best means of regulation. See **page 1.**

Report says isotonic sales will increase

Packaged Facts recently released a study which claims isotonic beverage sales will hit $275 million by 1985.

Isotonic beverages, led by the popular Stokely-Van Camp commodity, Gatorade, are said to help maintain the electrolyte balance of employees working in environments where heat stress or physical exertion cause loss of body salts through perspiration.

Retail, institutional and industrial businesses utilize the beverages, and projected sales and growth are depicted on several charts included with the article.

Specifically, Gatorade dominates most of the market with a 95% share of sales. However, Gatorade has a serious new challenger in the face of Pripps Pluss, developed by A.B. Pripps Bryggerier, a $450 million company which controls 70% of Sweden's beverage market.

For more information on the future of isotonic beverages, see **page 4.**

Propane economical for bottlers' fleet

In a special **BI** report, use of propane gas is analyzed as an economical alternative to conventional gas-fueled truck fleets. With prices ranging from 25 to 45 cents a gallon less than unleaded gasoline, propane has seemingly grown more attractive. It offers users longer engine life, increased life for spark plugs and oil, a higher octane, less opportunity for pilferage and cleaner burning.

A guide for propane use is included with the article. See **page 14.**

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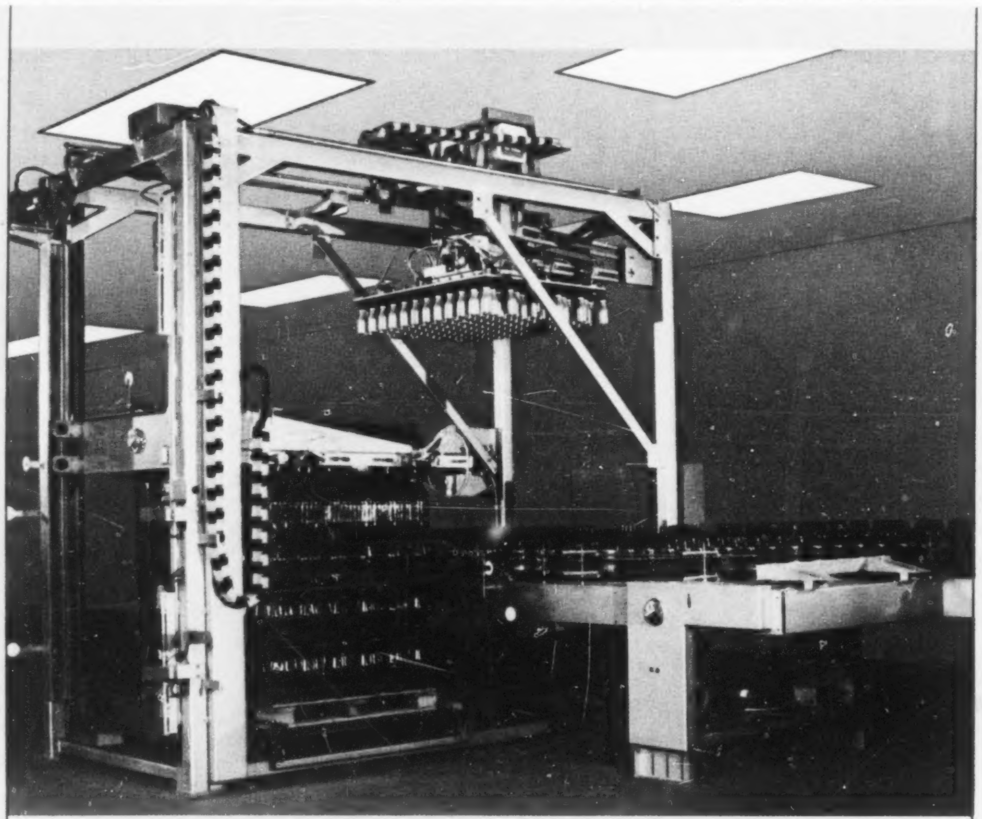

A new bulk depalletizer from A-B-C.
If you've looked at bulk handling before,
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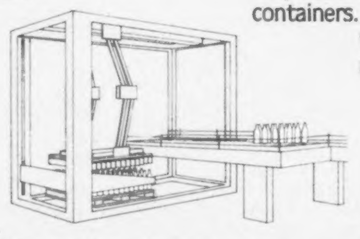

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SOFT DRINKS ☐ BEER ☐ BOTTLED WATER ☐ WINE ☐ POWDERS ☐ JUICES ☐ SPIRITS FEBRUARY 25, 1983

Beverage Industry

MARKETING ☐ DISTRIBUTION ☐ TECHNOLOGY AN HBJ PUBLICATION

Isotonic beverage sales to reach $275M by '85

NEW YORK—Isotonic beverage sales will hit $275 million by 1985, says a report just published by Packaged Facts here.

Isotonic beverages, led by Stokely-Van Camp's popular Gatorade, have been sold directly to industrial plants and factories since 1976. It had been discovered that these products could help maintain the electrolyte balance of employees working in environments where heat stress or physical exertion cause loss of body salts through perspiration.

David A. Weiss, president of Packaged Facts, contends that more employers will tap isotonic beverages as being valuable to their employees as the economy "picks up."

"To date, industries served by the isotonic beverage market reflect only the tip of the iceberg," Weiss says. "As soon as the economy recovers, organized labor will press employers to make these beverages available on factory and construction job sites."

Professional sports teams utilize the beverages as well, including football, basketball and hockey. The growth in sports participation by Americans in the last decade has had an especially favorable effect on the retail segment of the market. As the report points out, isotonic beverages are often directly positioned as a sports aid, and are therefore strongly identified with athletic

(Continued on page 9)

Projected sales: isotonic beverages

	Sales (Millions) 1981	Sales (Millions) 1985	Percent Change
Retail	$ 90	$120	+ 33%
Institutional	45	65	+ 44
Industrial	45	90	+100
Total	$180	$275	+ 53%

Source: Packaged Facts

Copyright: Beverage Industry, February 25, 1983

Projected sales and growth: isotonic beverages (1977-1981)

	Sales (Millions) 1977	Sales (Millions) 1981	Percent Change
Retail	$45	$ 90	+100%
Institutional	25	45	—
Industrial		45	—
Total	$70	$180	157%

Source: Packaged Facts

Copyright: Beverage Industry, February 25, 1983

ANDEKER
ANDEKER
LAGER BEER
BEER

Pabst's Andeker gets new look

MILWAUKEE, WI—Pabst Brewing Co.'s super-premium Andeker beer is sporting a new look. The 12 oz. nonreturnable bottle has been converted to a modified select shape with new label graphics and is being packaged in a wrap-style carrier.

Also, after an absence of a year and a half, Andeker is being re-introduced in the 12 oz. can package that is consistent with the bottle and carton artwork.

Pabst President William F. Smith, Jr., said, "The new packaging reflects the heritage, tradition and high quality that makes Andeker one of America's foremost premium beers."

Quick Way
SWEET-SOUR
BAR-MIX
BAR-MIX
Quick Way
SWEET-SOUR
BAR-MIX

LaPaz converts to Kodapak PET

After extensive testing, LaPaz Products, Inc., of Brea, CA, has switched from glass to Kodapak PET polyester bottles for its cocktail mixer. Lapaz, which packs four different cocktail mixers under its Quick Way brand name, made the switch because the PET bottle is more economical, less prone to breakage and offers freight savings, a company official said. Before selecting PET as the new bottle material, Lapaz performed extensive tests in which the bottles were subjected to extreme hot and cold temperatures as well as shelf life tests. The cocktail mixers are distributed nationwide through food service distributors.

Real Fresh buys aseptic packager from Continental

STAMFORD, CT—Continental Can Co. has announced that Real Fresh, Vasilia, CA, has agreed to purchase an NAS Aseptic Conoffast form/label/fill/seal machine for use in mid-1983.

Real Fresh, which has processed foods aseptically for more than 30 years, will package a variety of low and high acid food products in 5-oz. and half pint containers for marketing under its own label and for contract packaging.

Its current line of aseptic packages includes juice, milk, puddings, soups and sauces.

Instead of using hydrogen peroxide as a sterilant, the Conoffast system creates sterile packages by peeling a disposable layer of film from coextruded plastic sheet to expose a sterile surface.

The sheet is thermoformed, filled with sterile food at room temperature, nitrogen flushed and hermetically sealed with coextruded lid material which also features a peelable layer to expose a sterile surface.

The average production rate for an 8-oz. container is 15,000 units per hour.

Labels are heat-bonded to the outer surface during thermoforming and units are die cut into multi-packs on line eliminating the need for separate operations and materials for multi-packing.

The Continental Can Co. is located at 51 Harbor Plaza, Stamford, CT.

• For more information on the **NAS Aseptic Conoffast form/label/fill/seal machine,** circle no. 224 on the reader service card.

Coke sponsors Epcot pavilion

In partnership with American Express, Coca-Cola sponsored and serves as host to the American Adventure, located in the World Showcase section of the recently opened Epcot Center in Disneyland's Orlando theme park. On hand to launch the new attraction last October was Donald R. Keough, Coke president, above. "We are honored to be involved in Epcot Center in such an integral way," he told the audience. The strong corporate images of American Express and Coca-Cola come together here in a powerful statement on our nation's heritage . . ."

Isotonics

National advertising expenditures by media: leading isotonic beverage brands (1981)

(Thousands)

Brand/Manufacturer	Total	Magazines	Newspaper Supplements	Network TV	Spot TV	Network Radio	Outdoor
Gatorade (Stokely-Van Camp)	$4,264.0	$1,375.6	$4.7	$241.6	$1,965.6	—	676.5
Pripps Pluss (A.B.Pripps Brygerier)	145.5	—	—	—	145.5	—	—
Squincher (Universal Industries)	79.5	—	—	—	71.1	—	8.4
Rangerade (Texas Rangers Basketball Club)	74.6	—	—	—	74.6	—	—
Wagner Thirst Quencher (Westin, Inc.)	29.5	—	—	—	29.5	—	—
Total	**$4,593.1**	**$1,375.6**	**$4.7**	**$241.6**	**$2,286.3**	—	**$684.9**

Source: Leading National Advertisers

**Copyright: Beverage Industry
February 25, 1983**

National advertising expenditures: 1977-1981

(Thousands)

Brand/Manufacturer/Type	1977	1978	1979	1980	1981
Gatorade					
(Stokely-Van Camp)	$1,510.0	$2,858.4	$5,389.9	$2,907.2	$4,264.0
Drink for industry	—	—	13.1	26.2	—
Carbonated beverage	5.0	15.0	28.0	—	10.7
Instant beverage mix	—	328.8	2,073.1	393.5	970.2
Noncarbonated drink	1,237.0	2,490.4	2,497.7	1,055.2	753.8
Regular and carbonated	48.0	24.2	76.5	16.7	850.6
Regular and instant	—	—	701.5	1,415.6	1,678.7
Premium offers	220.0	—	—	—	—
Pripps Pluss					
(A.B. Pripps Brygerier)					
Powdered mix	—	—	—	—	$ 145.5
Squincher					
(Universal Industries)					
Type unknown	—	—	—	14.1	$79.5
Rangerade					
(Texas Ranger Basketball Club)					
Type unknown	—	—	—	—	$74.6
Wagner Thirst Quencher					
(Westin, Inc.)					
Noncarbonated beverage	—	—	$45.8	$1,082.9	$29.5
Total	**$1,510.0**	**$2,858.4**	**$5,435.7**	**$4,004.2**	**$4,593.1**

Source: Leading National Advertisers

**Copyright: Beverage Industry
February 25, 1983**

(Continued from page 4)

activities.

Gatorade again dominates this segment of the market with an amazing 95% share of sales.

However, Gatorade has a new challenger, Pripps Pluss, developed by A.B. Pripps Brygerier, a $450 million company which controls 70% of the beverage market in Sweden.

During the past year, Pripps Pluss has been introduced into the U.S. and poses a serious challenge to Gatorade and other isotonic beverage brands. One of the newcomer's advantages is that it is the first—and so far, the only—isotonic beverage to receive approval from the Food and Drug Administration to call and promote itself as an "energy drink."

Pripps' distribution

Pripps Brygerier has chosen Thomas J. Lipton Co. to handle retail distribution. According to Packaged Facts, the Lipton marketing expertise, fueled by a large promotional introductory budget reportedly at $6 million, combine to form one of the most formidable new-product campaigns in the history of the isotonic beverage market.

But even though competition is heating up in the market, it still seems to appear Gatorade is as strongly entrenched as ever. Some of the older brands are still on the market, but. as before, presents no serious threat to Gatorade, according to the report.

Quickick is a powdered mix marketed by Quickick, Inc. and still has an estimated 10% to 15% share of the institutional segment and, according to the company, a 50% share of the industrial market. The report notes Quickick does not seem to have any more plans to enter the retail segment, having failed with its liquid isotonic drink in 1970 and its powdered version in 1978.

Quenchade is still in the market, under the direction of Curt Mueller, ex-athlete turned pharmacist. His original product, Time Off Punch, re-entered the market in 1974 as Quenchade to capitalize on the name of his company's other major product, Quench isotonic gum, the report says. Now in powdered form, Quenchade continues to be marketed in the institutional segment, where it has been sold for about 20 years.

Also still in the retail segment is Polar Chilled Products' Super Socco. Its best-selling area is California, Package Facts reports.

Meanwhile, newer brands keep entering the market, such as Universal Industries' Squincher and Arla's Nature's Wonder. The former is a line of multi-flavored isotonic beverages, while the latter, another Swedish product, is being sold mostly in the Midwest.

Stokely-Van Camp now manufactures a product, Gatorade 280, which was introduced in 1981 to the institutional segment.

"loading"

Gatorade 280 is a "high energy carbohydrate drink mix used for 'loading' when an athlete needs a continuous stream of energy," the report says, as in the case of running. The idea behind Gatorade 280 (and loading) is that when taken three hours before the strenuous activity, the drink passes through the body quickly, leaving behind the carbohydrate uplift—but without the heavy residue of a substantial meal. According to product advertising, it can "enhance performance during athletic or during other strenuous activities."

Gatorade 280 contains three 12 oz. servings, each of which when mixed with water, can provide 280 calories. This is equivalent in energy to almost seven cups of pasta—but without the pasta's heaviness.

Distribution of Gatorade started in sporting goods outlets, and according to Stokely-Van Camp, there will be no attempt to market the 280 brand to any other but the institutional market.

So far, Stokely-Van Camp has been able to ward off competitive threats fairly easily, the report points out. However, in the case of Pripps Pluss, no other competitor spent as much to dethrone Gatorade as Pripps says it will spend on Pripps Pluss' introduction.

Presently, Pripps Pluss has made wide gains in the institutional segment. According to one trade account, despite Gatorade's links with professional sports, Pripps Pluss already has cornered two of every three professional basketball teams, almost one-third of the national football teams, eight major league baseball squads, four national hockey teams, and all the national soccer teams, indoor and outdoor.

As of now, it is only beginning its marketing in the retail and industrial segments, but some consumer advertising has already begun regionally.

The report describes Pripps Pluss as having one major advantage and one major disadvantage to Gatorade.

disadvantage?

When Pripps Pluss moves into the retail segment, it will have a competitive advantage that no other isotonic beverage brand—not even Gatorade—has. In 1981, as mentioned earlier, the FDA gave approval to Pripps Pluss to call itself an "energy drink." However, the product has what many in the industry believe is a definite competitive disadvantage—its resemblance to water. It is a clear transparent liquid and could thus be confusing to those who buy and drink it, according to the report.

Prevailing package types are pouches and bottles, though cans, tins and other containers are used. In shipping, the packages are sold in case loads and transported in cardboard cartons.

Color combinations are usually pastel-colored packages, mainly orange or green.

The Packaged Facts study also describes labeling on packages as well: Pouches, containing the powdered beverage, have directions for dilution on the back, while

(Continued on page 31)

Coke
ROYAL CROWN COLA
RC
1st Choice

Choice Vend displayed vendors using the "Helix" system.

PEPSI
PEPSI
PEPSI

A before and after look at a vendor that has gone through All State's "Genesis" program.

exhibit. It is designed for 10- and 16-oz. Plasti-Shield and .5-L PET bottles, but can easily be converted from glass to plastic to cans. The unit is said to be especially desirable in today's soft drink market which is beset with brand proliferation.

A pouch filling and sealing machine was on display at the **Mitsubishi Heavy Industries** booth, which also showed a video cassette on the latest bottling equipment.

David Carrigan & Associates showed an exhibit of its Con-O-Sport pre-mix or post-mix portion filling equipment and Carri-Ease plastic vending trays.

Liqui-Box Corp. calls its bag-in-box system the beverage syrup package of the future. The QC/D (Quick Connect/Disconnect) system features a bag with a three-part high barrier fitment, a travel cap which prevents dirt or dust from coming in contact with an internal slider, and automatic recapping after filling is completed.

Shurflo Pump Co. showed its model 165 automatic bag selector valve for bag-in-box applications. Unit hooks up to two bag-in-boxes, automatically dispensing from one bag-in-box until it is empty, then transferring over to the other.

Remcor displayed its new model TJ200S-BC ice-beverage dispenser for high volume service operations and its model TJ455-D dual station ice dispenser that dispenses from two sides of one compact countertop unit.

A complete line of post-mix and pre-mix dispensing equipment and tanks was displayed in the **Walter Kidde** booth.

Choice Vend Industries displayed its line of vendors featuring the "Helix Vending System" that it has used for the past 32 years. Vendors have double door security with recessed, insulated inner door and exclusive two-lock system that allows for control of access to product and/or coin box. They have interchangeable electrical components throughout the complete line.

Vendor refurbishment and rebuilding

Demonstrations of applications of films for vendor refurbishing and fleet vehicle identification were given by representatives from **3M/Transportation and Commercial Graphics.**

New visi-cooler, four-step refurbishing process was shown by **Screen Art, Inc.** The company also offers vendor refurbishing methods for most major soft drink brands, and is set to offer truck refurbishing kits.

The EZ-Mask shown by **Decals, Inc.,** eliminates tape masking of vendor buttons during refurbishing. It is available for most popular brands.

A complete line of vending labels for all current and past models of vendors authorized for products of all major franchised beverages were discussed by **Screen Print, Inc.**

All State Manufacturing Co. and **Clover Metals International, Inc.,** All State's sales and marketing arm, featured their new "Genesis" program for reconditioning vending machines. The program calls for old, broken or vandalized vendors to be rebuilt, in many cases to look like the latest models.

Merchandising, displays

Custom printed offset or corrugated display material, offered by **Continental Packaging Corp.,** serves multiple purposes in a decorative, cost efficient manner. Corrugated displays are available in maximum 40" x 40" configurations; white offset paper stock comes in 50" wide rolls.

Wood displays are becoming more and more prevalent in supermarkets and convenience stores because of their warm, natural appearance, striking contrast and high quality. They were the showpiece in the booths of **SAP.1** and **Baron Woodcraft.**

Metal serving trays were shown by the **Ohio Art Co.**

Mead Merchandising's display equipment consisted of its supermarket gondola displays, including The Gladiator, Imperial II — Canopy Height and Low Base Imperial II — Canopy Height. Also shown were four-posted and temporary displays, The Woodgrain Dura-Wedge gondola conversion and optional shelving, including the non-mechanical gravity feed shelves, the Plastrak and Plastrak Adapter.

Cumberland Corp. offered information on and showed its bulk beverage

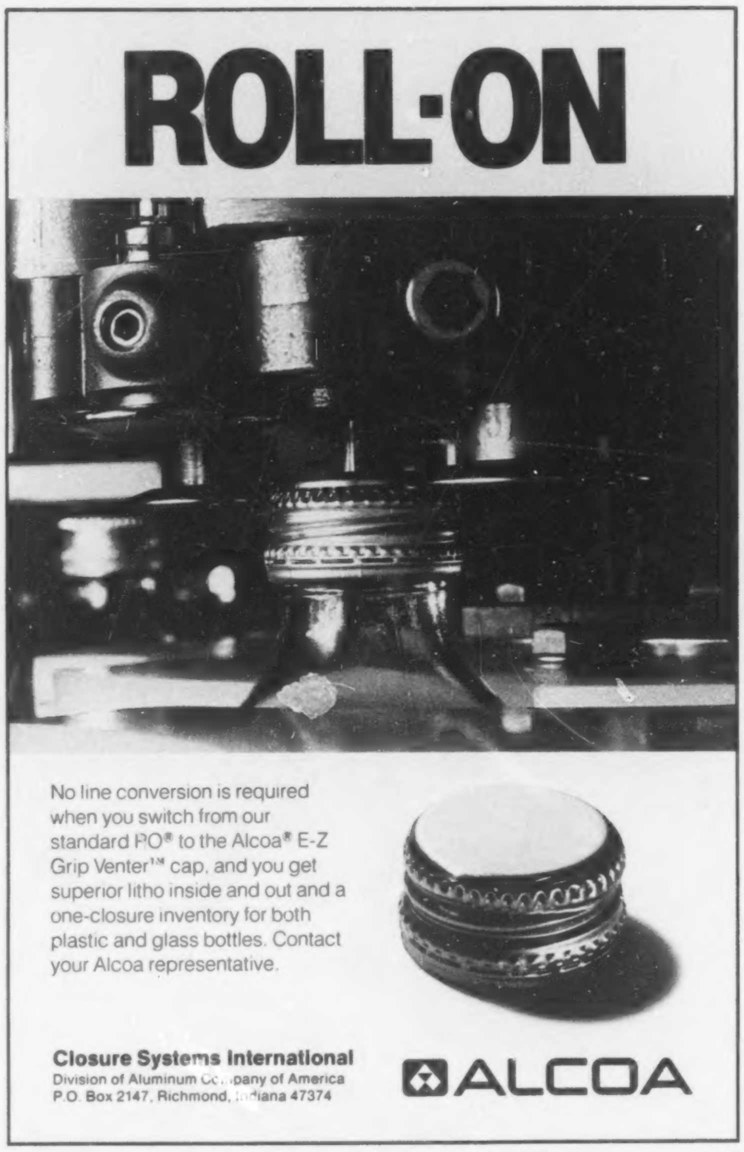
Isotonics

(Continued from page 9)

the front panel contains some identification of the product, such as "thirst quencher," on the Gatorade label and "exercise drink" on the Wagner Thirst Quencher label.

Bottle and container-type labeling are similar except that mixing directions are not included.

To obtain a copy of the Packaged Facts report, it is available at a cost of $550 from the company, which is located at 274 Madison Ave., New York, N.Y., 10016.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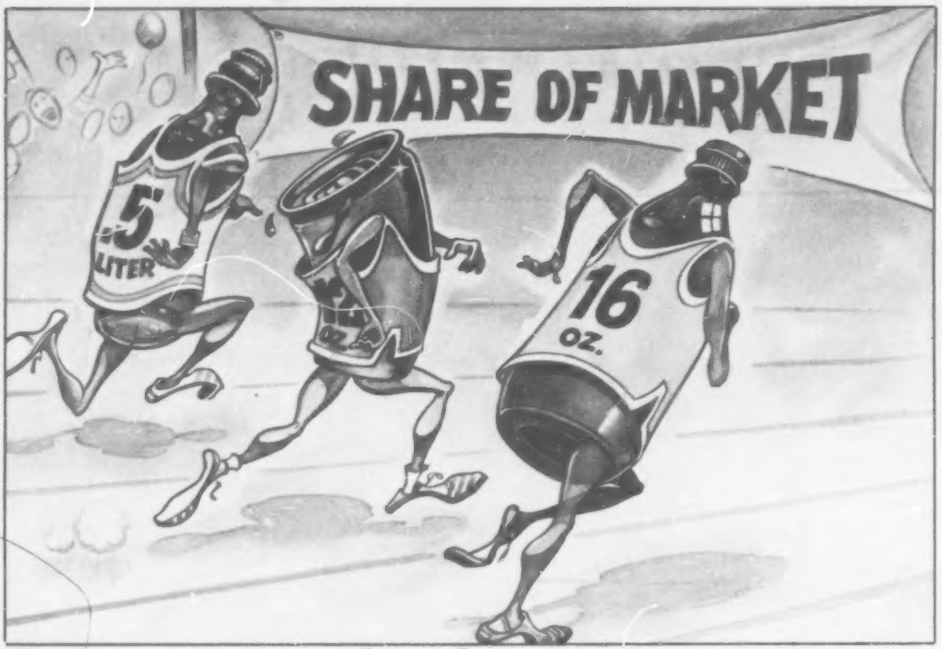

Focus on new developments
Primary packaging race tightens up

By Gary Hemphill Associate Editor

SPECIAL REPORT—While the primary packaging industry has stagnated over the last year, glass, cans and PET have continued to aggressively compete for their market share.

This competition is reflected in pricing and a surge of new industry developments. In fact, these new developments could produce some drastic changes in the industry in the coming years.

One analyst predicts that by the 1990's "the can and bottle will likely be as anachronistic as is the gourd or ceramic vessel today."

Some of the major advances in the packaging industry over the last year include:

- The introduction of aseptic packaging in the United States;
- The race to find an economically viable .5-L PET container with adequate shelf life;
- The expanded use of PET in the wine industry, prospects for its use in the beer industry and the government's approval of PET for liquor bottles;
- The increasing popularity of plastic closures for glass and PET containers;
- The growth of tamper-evident closures because of the Tylenol poisonings;
- The development of the stackable triple-neck-in can and its acceptance among consumers and industry.

At presstime complete statistics weren't available for the primary packaging industry for 1982. But after the first nine months of the year, Arthur Stupay, market analyst for Prescott Ball and Turben, issued this report at the NSDA convention in Atlanta:

"In soft drinks, glass container shipments are about flat this year due to continued inroads of plastics and the success of the 12-pack promotion of soft drink cans. Canned soft drinks are up by 3.4% through nine months, despite all the economic negatives and the recent success of cans is an excellent example of how aggressive and creative marketing can make a difference if the margins are there for distributors.

"For beer cans have regained some market share from glass as brewers that use cans have scored strong in growth even in the recession. Plastics in the 2-L size are about flat, with 1-L higher. The .5-L PET bottle has made its introduction in the U.S. market in 1982 with modest success."

As for new developments, there have been many. Here is a rundown on the activity in the industry.

Both Continental and Reynolds have been modifying their latest development, the triple-neck can. In addition Ball is working on a similar can.

The major benefit of the triple-neck is cost. Less material is used in the end, the most expensive part of the can, because the diameter is

(Continued on page 18)

BI Week

- **Cross-the-board price reductions in a variety of beverage materials, packaging, CO_2, sweeteners are being reported by a number of producers. Reductions range from 3% to 10% depending on location in U.S. and product being purchased. Suppliers are so anxious to hold or gain market share that "you can virtually write your own ticket," unnamed sources tell *BI*.**

- **Coca-Cola Bottling of Miami says it agreed in "principle" to be acquired by private investment group for $154 million; buyers were not identified. Under proposed terms, Coke Bottling holders would receive $102 for each of their shares. Company has about 1.5 million**

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FDA opts not to revise its food labeling policy

WASHINGTON, DC—Soft drinks and other standardized foods will continue to be allowed to use safe and suitable optional ingredients since the Food and Drug Administration (FDA) has dropped a plan to revise this food labeling policy.

Under current regulations, safe and suitable ingredients are those which perform an appropriate function in the food, are used at levels no higher than necessary to achieve the intended purpose, and are either approved food or color additives, prior sanctioned or Generally Recognized As Safe (GRAS).

Over the years, FDA has increased the flexibility of food standards by allowing the use of safe and suitable optional ingredients which fall into specifically naming those particular ingredients.

However, in 1979, FDA, the Federal Trade Commission and Agriculture Department issued tentative positions of food labeling issues, including a proposal to amend the safe and suitable policy for optional ingredients.

The agencies wanted a new policy that applied only to optional functional ingredients used in quantities less than 5%, where functional was defined as any ingredient that did not alter the food's basic characteristics. They also sought requirements that these and suitable ingredients be listed on the product label of standardized foods, and that the term "safe and

(Continued on page 28)

New HHS sec. in on food safety cabinet debate

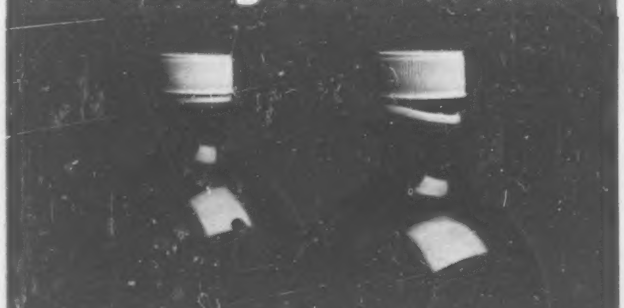
WASHINGTON, DC—Congress' upcoming food safety debate will have additional input from a new team player—former Rep. Margaret Heckler (R-Mass.) who has replaced Richard Schweiker as Secretary of the Department of Health and Human Services.

Heckler, who did not have vast food and drug experience during her tenure on Capitol Hill, will be working closely with the FDA in its attempt to review the food safety system. As part of that effort, she will chair the President's Cabinet Council on Human Resources, which is responsible for implementing food safety reform recommendations developed by the administration's sub-Cabinet Working Group.

The group released a second draft on food safety

(Continued on page 28)

BI Package of the Week



Tamper-evident closure developed by Dairy Cap

JAMAICA, NY—Dairy Cap Co., located here, a major supplier of bottle caps for dairy products, has developed a plastic mechanical-seal, tamper-evident closure for the beverage industry.

Protecto-Cap can be made in any size and will fit on PET or glass bottles now in the beverage market, said Vincent N. Conti, company president and closure inventor.

He added that the cap was being studied by both Pepsi

(Continued on page 9)

Contents

New developments in primary packaging

Glass, cans and PET have continued to aggressively compete for a share of the primary packaging industry, which is a result of a surge of new industry developments. Some of these new developments could produce some drastic changes in the industry in the coming years.

In this issue's special report, analysts and other experts describe the market potential for 1983 as well as trends and developments stemming from 1982.

One analyst predicts that by the 1990s "the can and bottle will likely be as anachronistic as is the gourd or ceramic vessel today."

Some of the major packaging advances, including use of PET in the wine industry, introduction of aseptic packaging in the U.S. and the growth of tamper-evident closures since the Tylenol killings, are described and analyzed in full. See **page 1**.

FDA drops latest food labeling policy

Soft drinks and other standardized foods will continue to be allowed to use safe and suitable optional ingredients since the Food and Drug Administration (FDA) dropped a plan to revise its food labeling policy.

BI sources in Washington, DC say FDA has increased the flexibility of food standards by allowing the use of safe and suitable ingredients which fall into categories specifically naming those particular ingredients.

However, FDA and two other government agencies wanted a new policy that applied only to optional functional ingredients used in quantities less than 5%, where functional was defined as any ingredient that did not alter the food's basic characteristics.

For more information on this important decision, see **page 1**.

Senkevich: wine sees new faces

The wine industry is the oldest of all beverages and probably the most archaic of the many beverage industries in terms of sales, distribution, merchandising and packaging.

So says John Senkevich, president of the Geyser Peak Winery, Geyserville, CA, in a speech specially prepared for **BI** readers at the NSDA-InterBev conference in Atlanta last November.

Senkevich cites a number of statistics, including the consumption of wine in the US being 15%. That's 85% of all wine, Senkevich points out, adding consumption of beer and soft drinks exceeds 25 and 37 gallons annually, respectively.

He also goes into great detail about "Wine-In-A-Box," a simple concept of wine being placed in a collapsible bag, with an easy to operate spigot on it. The bag is placed in a corrugated or fiberboard carton and merchandising graphics are placed on all six sides of the box.

For more information on Senkevich's views of the wine industry's future and problems, see **page 12**.

Deposit laws and management

Larry Hunt, beverage industry recruiting specialist with Roth Young Personnel Service of Detroit, offers tips and suggestions on how to prepare beverage executives being faced with mandatory deposit legislation.

For example, Hunt says the state of Michigan offers an excellent opportunity to explore what happened to management during the transition to returnables. He points out that it was "easy to see" the impact of the deposit law on manpower in Michigan. Many managers simply left the state because of the returnable system and "the chaos it caused."

He says in states where deposit laws are pending, it's essential that executives in the beverage industry study members of their management team and reinforce them before the law goes into effect. See **page 17**.

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The Angelus 61H does a superb seaming job at more modest speed levels—up to 600 cans per minute.

These three machines have a lot in common that make them real profit-makers. They can maintain their maximum production rates through long runs during peak periods. That's because they all have virtually automatic lubrication to minimize downtime (semi-automatic system on the seaming rolls). And they all are built to high Angelus quality standards—backed by more than 70 years experience. Of course there are many other Angelus machines, each one production matched to specific requirements. Write for information—stating your products, can sizes, and production rates. Angelus Sanitary Can Machine Co., 4900 Pacific Blvd., Los Angeles, CA 90058 • (213) 583-2171.

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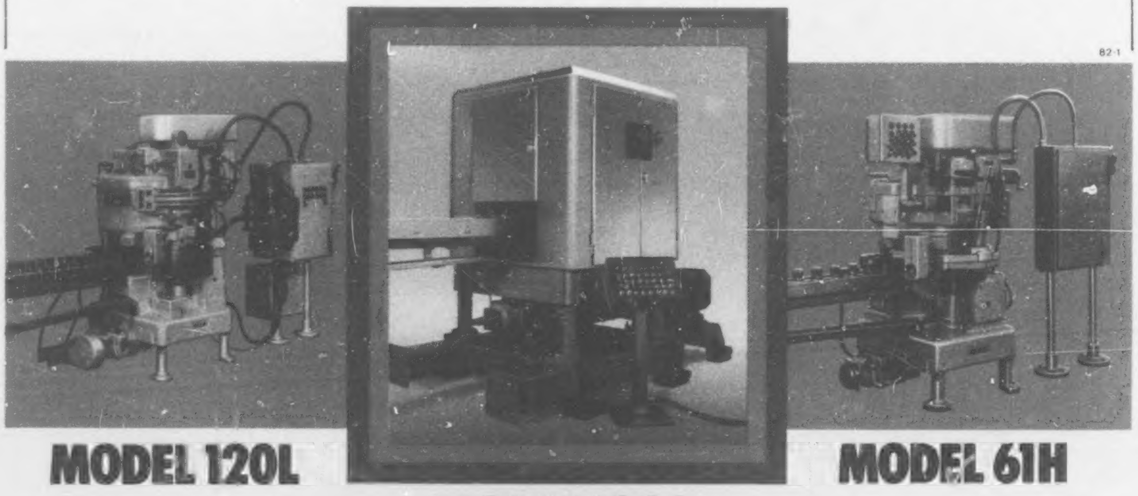


MODEL 120L

MODEL 180S
THE ULTIMATE SEAMING MACHINE

MODEL 61H

Circle No. 122 on Reader Service Card

AISI study finds steel more energy efficient

WASHINGTON DC—A study commissioned by the American Iron and Steel Institute has found that steel is up to 25% more energy efficient than aluminum in beverage cans but some are refuting the study.

Adding the figures for beer and soft drink cans in 1980 the study reported 30.5 trillion BTU's could have been saved if all cans were bimetallic. Translated into kilowatt hours, this energy is enough to service almost 700,000 average households for a year.

The study, researched by Arthur D. Little, Inc., summarized, "Aluminum cans do not save energy: while recycling does reduce the energy requirement of aluminum cans to a degree, the aluminum can is still the most energy intensive beverage or food container."

Specifically the study found that in 12-oz. beer containers the two-piece aluminum can requires 17% to 23% more energy for its life cycle than a two-piece bimetallic can. In the same size soft drink containers, the aluminum can requires 18% to 25% more energy.

Both the Reynolds Metals Co. and the Aluminum Association have criticized the study, however.

'erroneous findings'

"The findings are erroneous because they are based on energy requirements of 4,830 to 5,000 BTU's per container for aluminum cans figures which are obsolete today" Reynolds' Marketing Director Andrew H. McCutcheon told **Beverage Industry.**

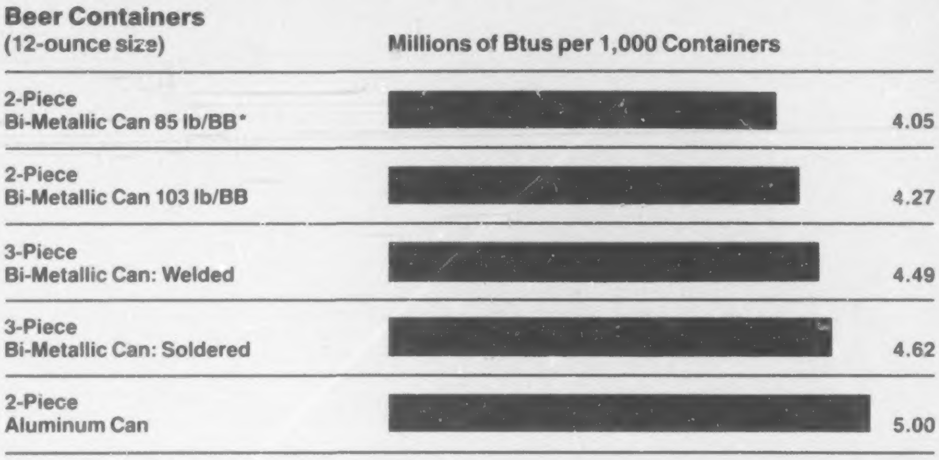
In a written response to **BI**, the Aluminum Association said "It was clear that most of the aluminum data contained in it (the study) are erroneous or out of date."

The association added that energy content in aluminum cans is affected by process energy conservation, percentage of cans recycled and technology improvements,

(Continued on page 23)

Life Cycle Energy Requirements: Beverage Containers

The Arthur D. Little, Inc. analysis determined the following energy requirements for a variety of containers.



*BB = base box, a measurement of surface area amounting to 31,360 square inches or 217.78 square feet.

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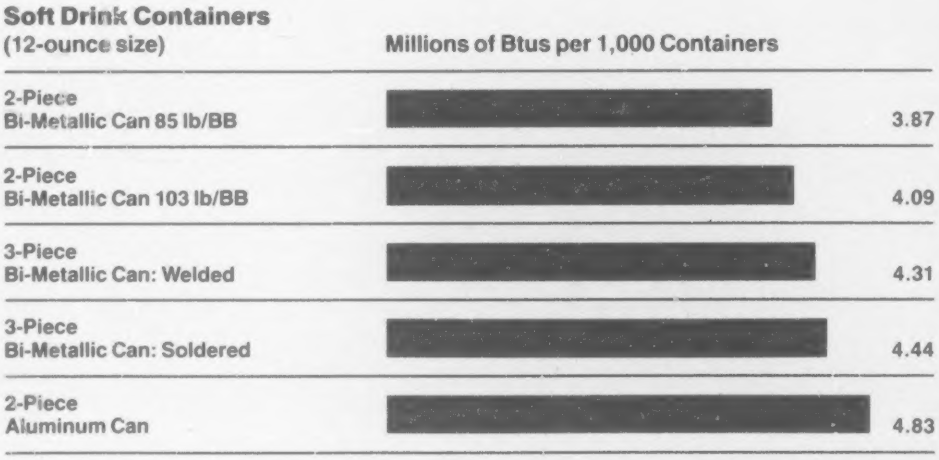

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Packaging

(Continued from page 19)

Prospects for its future, though, look good. "I'm a fan of that sort of packaging system. It will become increasingly dominant." Stunay said.

Rita Simpson, public relations manager for Brik-Pak, Inc., said "We think it has a great deal of potential. We don't really have any customers on a national basis in the United States yet. Coke just announced it's going national. We've really just begun."

Simpson said most of the packaging in the United States is being done with milk and fruit juices. "There are lots of possibilities. Outside the United States, wine, pudding, mineral water and other products are being packaged aseptically," Simpson said.

labeling trends

The trend in labeling is toward larger billboard-like labels already applied to the bottle. Pre-labeled containers are taking up an increasingly larger share of the market.

Film labeling, a new innovation, probably won't have an instant effect on the market, one source said.

"In six months to a year, we will see some film label lines. For the moment, there's no film on the market that would represent a cost savings," said the industry official.

Cellu-Craft, Inc. has a new label that's "going to save the industry lots of money" according to Al Dalbec, national accounts manager.

The BX9 is a two-ply label with an inner layer of 26-lb. paper and an outer layer of polypropylene resin. It's being tested now on the West Coast.

It's being applied by a roll-fed labeler. "In terms of performance, it's doing fine," said Dalbec.

Owens-Illinois introduced Label-Lite II, a 2-L PET container with an enlarged and improved label.

The new heat-shrunk label

(Continued on page 23)

Trucks

(Continued from page 6)

have been refined into specialized tractors for beverage hauling, either for handling very large gooseneck trailers or slightly larger beverage delivery trailers.

The key question here is how much truck do you need? As the work for a truck goes up, there comes a time when air brakes are needed for safe operation. But those "sort-of" heavy loads don't necessarily need features of heavy duty trucks such as brawny axles and frames.

Beefed-up medium duty models, equipped for the beverage trailer application, can be the hardware that provides a truck that is properly equipped for the job and is not as expensive as a true heavy duty model.

2. IVECO, a European producer that assembles its trucks largely from parts made in Italy and Germany, has recently introduced something new in the U.S. market—strong, diesel-powered trucks that are set for a tough job but less heavily equipped and expensive than a true full-blown medium truck. They are well worth considering for such demanding jobs as pulling the heavier gooseneck beverage trailers but they haven't been available on the U.S. market long enough to report that anyone has used them long enough to prove that they fit this application.

Beverage haulers who use conventional van trailers, 40 to 45 feet in length, for volume distribution of their products, generally in wholesale work or in moving products to their regional distribution points, have the widest possible choice in selecting tractors.

Ford, Freightliner, GMC, International Harvester, Kenworth, Mack, Peterbilt, and White all produce tractors for long-distance, over-the-road hauling. And all of their trucks come with a wide selection of the most popular components. A buyer can have a choice of diesel engines from three manufacturers when ordering some tractors of this size.

To date, import lines have stayed away from the over-the-road tractor market in the U.S. but that could change.

'Shenandoah' name battle finally over

WASHINGTON, DC—In an attempt to play Solomon, The Bureau of Alcohol, Tobacco and Firearms (ATF) has ended a two-year battle and decided that both an Eastern and Western viticultural area can be called the "Shenandoah Valley."

But there's a catch. The one region bordering Virginia and West Virginia will be known as the "Shenandoah Valley," while California's Amador County will be called "Shenandoah Valley, California."

For the past two years, winemakers from both areas have fought to have their respective region exclusively proclaimed the "Shenandoah Valley." But ATF finally allowed both viticultural areas to go by the name since "the Shenandoah Valley in Virginia and West Virginia is nationally known, and California's Shenandoah Valley also is nationally known to wine consumers," said an ATF spokesman.

He added that use of the name "Shenandoah Valley, California," allows consumers to "readily identify where grapes used to make that wine are grown." Since the other region is well known, ATF is not requiring the addition of the two states on the wine label, he noted.

Winemakers' reaction to the decision has been mixed. Some claim it has not helped either side, while others maintain it is better than no ruling at all.

AISI study

(Continued from page 22)

which allow for production of a greater number of cans per pound.

"In each of these areas the aluminum industry continues to make significant progress so it is essential to use the latest information in order to factually represent the current situation," the response said.

The steel institute discounted these claims, though.

Jim Spence, assistant vp of the institute, said, "Every conclusion in the study is very well documented."

Stanley Margolin of Arthur D. Little, Inc., added, "I feel that our numbers truly reflect life cycle energy for the containers. Are they looking at the life cycles or just what it takes to make the container. I hate to compare apples, bananas and oranges."

The steel study also said aluminum's recycling claim is misleading. "In practice, it is not possible to make cans from all-scrap material. As manufactured, aluminum cans contain a blend of 25 to 50% virgin material with the remainder scrap" the study said.

The study analyzed "life cycle energy" requirements for the different containers. This analysis measures the total energy required for the manufacture, use and ultimate disposal of the product.

The study further stated that while beverage cans have beer boosting their share of the total market, aluminum cans have been boosting their share of the beverage can market.

In the early '60s virtually the entire beverage can market used steel and that changed in the '70s. "From 1976 to 1980, the use of aluminum beverage cans grew by 93%, during the same period the use of steel beverage cans dropped by 25%. Today aluminum holds 75% of the beverage can market, chiefly because of the industry's widely promoted recycling program," the report concluded.

Packaging

(Continued from page 22)

is 7.25 in. high and extends from the bottom of the base cup to the shoulder of the container.

The label has a high-gloss exterior with improved graphics; its smooth surface also has resulted in greater line efficiencies in the filling operation.

National Can Co. enlarged its PET bottle label from 3⅜ in. to 5¼ in.

"The billboard effect is an industry trend" a company spokesman said.

What's in store for the future of primary packaging? In his NSDA speech, Stupay predicted that although Americans will consume more cold beverages like soft drinks and beer, the packaged share could continue to decline because of the increasing number of fast food outlets with fountain service and states with mandatory deposit laws.

Stupay also foresees the development of a bulk dispensing unit for the home, which could also contribute to the competition for package share by glass, plastic and cans.

But what about the package itself? "The package of the future will be lighter, probably flexible or semirigid, and readily recyclable or easily crumpled and made bio- or photodegradable," said Stupay.

He believes this new packaging could reduce beverage production costs because various freight and handling costs from the package supplier to the bottling plant will be eliminated. But it's likely that research and development costs will rise in an attempt to reduce obsolete methods.

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Beverage Industry

MARKETING ☐ DISTRIBUTION ☐ TECHNOLOGY

AN HBJ PUBLICATION

Rules change should ease brewers' paperwork load

WASHINGTON, DC—To ease brewers paperwork burdens, the Bureau of Alcohol, Tobacco and Firearms (ATF) plans to consolidate, eliminate and modernize many regulations dealing with taxes, bond coverage, beer transfer and report filing.

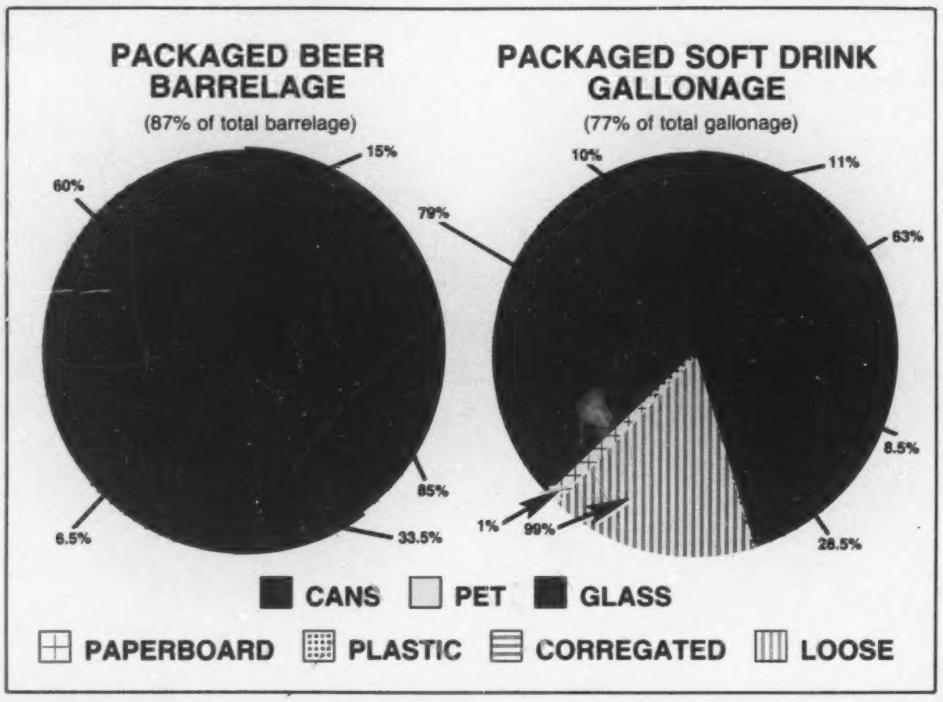
Among the proposed changes, ATF would allow brewers to make adjustments on their tax returns for beer that is lost or destroyed instead of requiring that the brewer first file a claim with ATF before being credited.

The plan would also eliminate the requirement that brewers use beer meters, and instead allow them to use any measuring system best suited to their needs to measure quantities of beer transferred from brewery cellars to packaging operations.

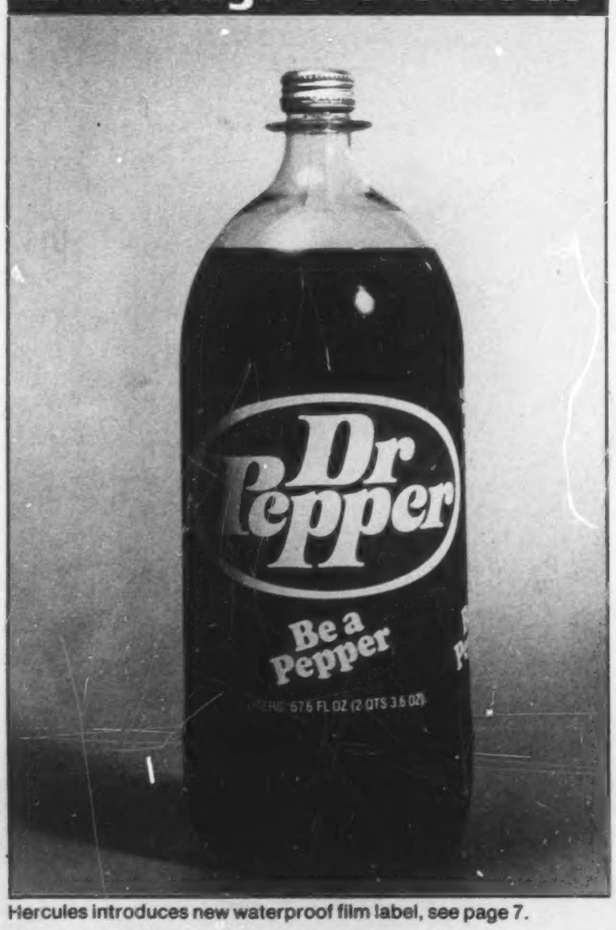
Thanks to proposed revisions in bond computation, bond coverage and penal sums for small brewers would be reduced. In addition, brewers transferring beer between two of their own breweries could use commercial, rather than government forms to record the transaction under the plan.

"This has occurred on a limited basis anyway and this just formally puts it into regulation," said Charles Bacon with ATF's research and regulations branch. He admitted that the proposals are not controversial. "If anything, brewers might ask for more changes."

Comments on the plan are due May 4 to Chief, Regulations and Procedures Division, P.O. Box 385, Washington, DC, 20044. Attn.: Notice No. 449.



BI Package of the Week



Hercules introduces new waterproof film label, see page 7.

Multipack options pose marketing risks

By Holly Klokis
Managing Editor

SPECIAL REPORT—Multipacks, once a term essentially relegated to six packs of bottles and cans, now conjures up a myriad of packages and combinations enclosed in paperboard, plastic, corrugated or film. From the consumers' standpoint, a choice of packages—from the bottler's or brewer's perspective, a shrewd marketing ploy to get more product into the home.

Yet, choosing what package to put into multipacks, how many units those multipacks should hold and in what medium, is a risky, expensive marketing decision.

Twelve pack cans of beer are booming. While last year, overall beer sales were up only .4%, Anheuser-Busch increased its capacity from 54.5 million barrels in '81 to 59 million barrels in '82. Industry sources attribute this increase directly to A-B's heavy push behind 12 pack can sales.

Secondary packaging sources report that as many as 35-40% of all cans on the market are packaged in 12s. Despite its success, though, would it work for soft drinks?

Four packs of 16 oz. PlastiShield are relatively new to the market. But is this package a trade up or a trade down in gallonage? Is the consumer buying it in place of a 6 pack or in place of two or three single servings?

Two liter two packs—the key here is to sell them for the price of two single units. Can it be done?

Obviously, secondary packaging suppliers are bullish on multipacks. Regardless of the package there is a rationalization to use it—be it the graphics, low cost, ease of application, ease of carrying or convenience to the consumer. Some companies are even willing to put their money where their mouth is. A program begun last summer jointly developed by several can manufacturers, parent companies and secondary packaging suppliers provides for promotional allowances to bottlers and brewers who install 12 pack can lines. Many of those companies, including Mead Packaging, are continuing their participation in that program based on its success.

But finding out what the consumer really wants is a

(Continued on page 30)

BI Week

- **Seven-Up, with an 8% sales increase, moved back into third place in *Beverage Industry's* 1982 ranking of the top ten soft drink brands. Compiled by John Maxwell, Lehman Brothers Kuhn Loeb Research, the 1982 top brands are: Coca-Cola, 1.4 billion cases, 23.9% market share, up 1%; Pepsi-Cola, 1.1 billion cases, 18.1% market share, up 1.4%; Seven-Up, 325 million cases, 5.2%, up 8%; Dr Pepper, 315 million cases, 5.1%, down 3.3%; Tab, 237 million cases, 3.8%, up .7%; Sprite, 197.5 million cases, 3.2%, up 11%; Diet Pepsi, 180 million cases, 2.9%, up 4%; Mountain Dew, 175 million cases, 2.8%, down 2.2%;**

(Continued on page 14)

Legislators to investigate food safety

WASHINGTON, DC — The tone and look legislators and lobbyists shortly take toward food safety will hinge on the spring agenda of the Senate labor and Human Resources Committees.

The committee was scheduled to release the agenda at presstime and food safety was expected to be on it. Once all concerned parties know when the hearings will finally be held on this important topic, they can better formulate the policy they will espouse during testimony.

"The important thing is that the hearings get underway," said Drew Davis, National Soft Drink Association congressional affairs manager. "The hearings won't depend on staff working drafts from Sens. Orrin Hatch or Edward Kennedy," the chairman and minority leader of the committee, he noted.

In fact, the sub-Cabinet Working Group which has

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Contents

Secondary packaging subject of this issue

This issue's special report is on the subject of new developments and trends in secondary packaging, especially the success of multipacks.

Twelve pack cans of beer are booming, according to industry sources. The sources report that as many as 35-40% of all cans on the market are packaged in twelve packs. However, the question is raised if whether twelve pack success is destined for the soft drink industry as it has been in the beer packaging area.

Another question being raised is whether advertising alone can carry an entire merchandising program, so the existence of multipacks with attractive graphics can help in that area. See **page 1.**

Food safety bill on Congress' agenda

Two Congressional committees are said to be still considering the food safety bill, which will probably be on upcoming agendas, according to sources in Washington, DC.

The committees were scheduled to release their agendas at presstime and food safety was expected to be on them. Once all concerned parties know when hearings will be held, they can better formulate respective policies.

Certainly, the Delaney clause will be part of the impending debate. But the saccharin ban moratorium, which hinges on Delaney, will be addressed separately, sources say. See **page 1.**

US beer imports: Heineken in the lead

Van Munching, Inc. of New York, which markets Heineken, reportedly had a 17.6% increase in sales and led the import segment, industry sources say.

Imported beer provided one of the few bright spots in 1982 for distributors, and Heineken, which leads Molson by a substantial percentage margin, was primarily responsible.

Imported beer sales account for an estimated 5.2% share of the total US beer market in 1982, reports say, and Heineken's 38.9% share generates over $300 million in sales. For the past two years Heineken has comprised the largest export item from Holland being transported on the North Atlantic shipping route. See **page 4.**

Anti-tampering bill introduced again

President Reagan never signed a bill making it a felony to tamper with food, drugs, etc., but the bill's sponsor in the new Congress, Sen. Strom Thurmond of South Carolina, has introduced it again.

This bill, sources say, is more palatable to the NSDA. Thurmond's bill would punish those who tried or actually did tamper with a substance with the intent to kill or harm a person or damage a company's reputation. For more information on penalties and views, see **page 14.**

BI truck column: stick with basics

The big money in truck operations—80% of it—is spent on keeping existing trucks working profitably on the job.

In this month's truck column, it tells of ways how a bottler or wholesaler can save money on his truck fleet, especially in the area of service. There are a few new ideas but no dramatic new products or concepts. And there are the usual reminders to "stick with the basics" in truck service because operating the vehicles will cost the bottler if he doesn't.

The columnist does point out there is nothing more basic in service than the need for scheduling routine maintenance, such as oil changes, etc. See **page 20.**

Brewex and Pakex pre-convention news

Extensive coverage of the upcoming Brewex and Pakex expositions has been provided in this issue.

The convention floor floorplan and booth writeups are included. See **page 15.**

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MARCH 25, 1983

Beverage Industry

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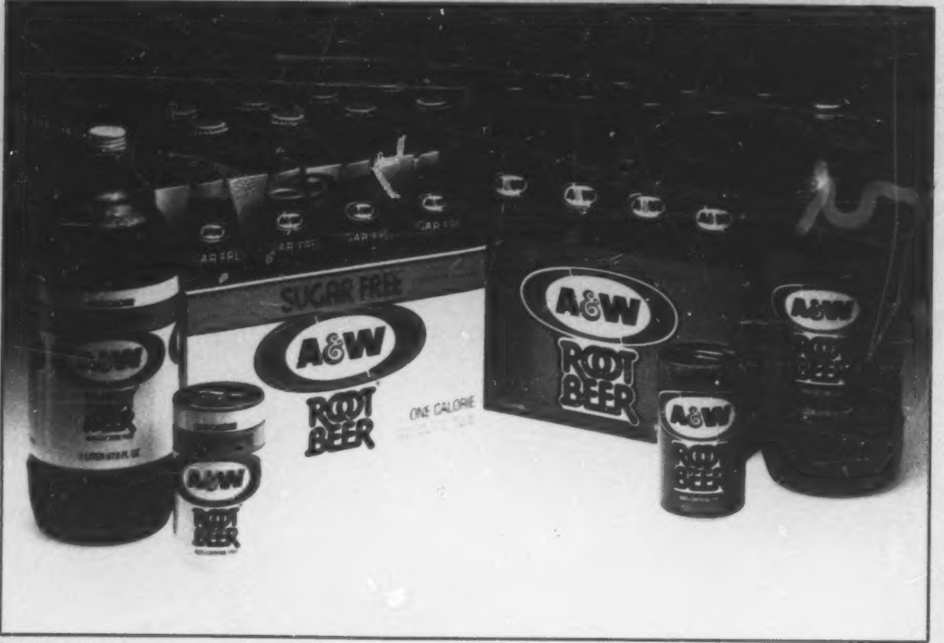


Brighter designs due out this spring.

New design highlights A & W Root Beer

NEW YORK—A new package design with modified graphics and a new advertising campaign which includes a separate sugar free and caffeine free program was rolled out in mid-March by A & W Beverages, Inc., located here.

While retaining the basic elements of the current graphics, the new design will feature a significantly enlarged logo to enhance brand registration, especially sugar free, and shelf impact. In addition, "100% Caffeine Free" has been incorporated on the face of all packages to clarify the caffeine free status of both products, which A&W spokesperson Vicky Szerko says has been the case since the root beer's inception.

Szerko also says the company never thought of advertising the beverage as caffeine free although the

(Continued on page 14)

Heineken sales lead import market growth

By Nancy Novick,
Northeast correspondent

NEW YORK – At a time when beer consumption is flat, imports provided one of the few bright spots in 1982 for distributors. Heineken, imported by Van Munching, Inc., located here, had a 17.6% increase in sales and led that segment.

It has become axiomatic that when Heineken, the number one import, has a poor sales year, the total import market suffers. When it has a banner year, the entire segment reflects that growth.

Imported beer sales accounts for an estimated 5.2% of the total U.S. beer market in 1982 and Heineken's 38.9% share generates over $300 million in sales. For the past two years Heineken beer has

(Continued on page 8)

	1981	Pct. of Market	1980-81 Change
Heineken	62.9	38.9%	17.6%
Molson	32.0	19.8	0.9
Becks	10.0	6.2	37.0
Labatt	9.5	5.8	30.4
Moosehead	7.9	4.9	41.1
Dos Equis	7.0	4.3	-
Carling O'Keefe	4.5	2.8	-
Guinness Harp	3.9	2.4	129.4
Tecate	3.8	2.3	-
St. Pauli Girl	3.0	1.9	25.0
Carta Blanca	2.3	1.4	9.5
Grolsch	1.8	1.1	12.5
Foster	1.7	1.1	6.3
Kirin	1.4	0.9	-
Kronenbourg	1.2	0.7	71.4
San Miguel	1.1	0.7	-
Bass Ale	1.0	0.6	(37.5)
Others	7.3	4.5	NA
Total	**161.8**	**100**	**14.3**

Industry pension plans strong, stable: report

NEW YORK—In sharp contrast to the troubled Social Security system, pension plans of the beverage industry show relative strength and stability, reports a survey by Johnson & Higgins, one of the largest consulting firms in the U.S. specializing in employee benefit and insurance program planning.

"It is particularly encouraging to find that pension costs as a percentage of pretax earnings have decreased slightly over the past three years of economic turmoil," says Kenneth K. Keene, senior vice president, Johnson & Higgins. "This means that these companies are meeting their pension obligations without putting any exceptional strain on earnings during difficult times."

The study of Fortune 500 industrials and 200 nonindustrials, found that, overall, the 11 beverage companies studied contributed approximately 7.6% of pretax profits to their pension programs in 1981. In comparison, Fortune 500 industrial companies in total spent 12.6% of pretax profits on pensions in 1981.

These trends contrast sharply with the current condition of the Social Security System, the company says. Keene adds, "If present trends remain in force, contributions to the Social Security System could eventually rise to over 22% of covered payroll."

(Continued on page 21)

Perrier wins suit over bottle design

NEW YORK—In a U.S. District Court ruling handed down on December 9, 1982, the Indian club-shaped bottle in which Perrier mineral water is sold was protected from copying and use by another mineral water bottler.

Perrier filed suit in January of 1982, soon after Water of Saratoga Springs, Inc. began marketing their product in a bottle of the same shape and color. Perrier claimed the unique design of the bottle serves as a trademark. The company was awarded a percentage of the money Water of Saratoga Springs, Inc. earned from the sale of the bottles with the Perrier design.

"Genesis" program in the works at Clover Metals

PEPSI
PEPSI

The sides and front are covered with laminated steel panels.

BRIDGEVIEW, IL — Have you seen those "before" and "after" ads? You know, the ones which feature a much older model and then a like-new reconditioned model. Usually the revitalization is the result of several weeks at a Richard Simmons center.

Well, if there is a spa for soft drink vendors, Clover Metals International, Inc., and Allstate Manufacturing have one.

The company's new "Genesis" (new generation) program is creating a whole new concept and philosophy toward distressed soft drink vendors. The program takes worn out, broken down or vandalized vendors and restores (remanufactures) them into like-new vendors. What emerges is a totally remanufactured vendor. In many cases, these machines, are extensively updated to portray the look of the '80's.

Tom Swiech, vp-sales and marketing, calls the remanufacturing process "Genesizing." Now what was once thought to be useless equipment can be remanufactured at a cost of 50 to 65% of the cost of a new machine.

Clover goes to great pains to point out, and make sure it is understood that the conversion is not a simple cosmetic refurbishing job.

"Our machines are totally remanufactured. We may rebuild a machine to its original factory look or upgrade it to take on a complete new modernized look. It depends on the individual bottler's requirements. We are flexible to a certain point and can

(Continued on page 6)

Heineken

(Continued from page 4)

comprised the largest single export item from Europe being transported on the North Atlantic shipping route.

joint effort

Actually, the company's dominance of the import beer market is the result of a joint effort between the Amsterdam-based brewing giant and Van Munching & Co., Inc. From the time the beer is brewed in Holland to the time it reaches the consumer in the U.S., Heineken and Van Munching work respectively to produce a high quality beverage and the marketing, advertising, and distribution strategies that result in the product's success. While Heineken participates in a limited capacity in U.S. marketing and advertising decisions, it is essentially Van Munching's perceptions of the American market that has shaped the current advertising campaign.

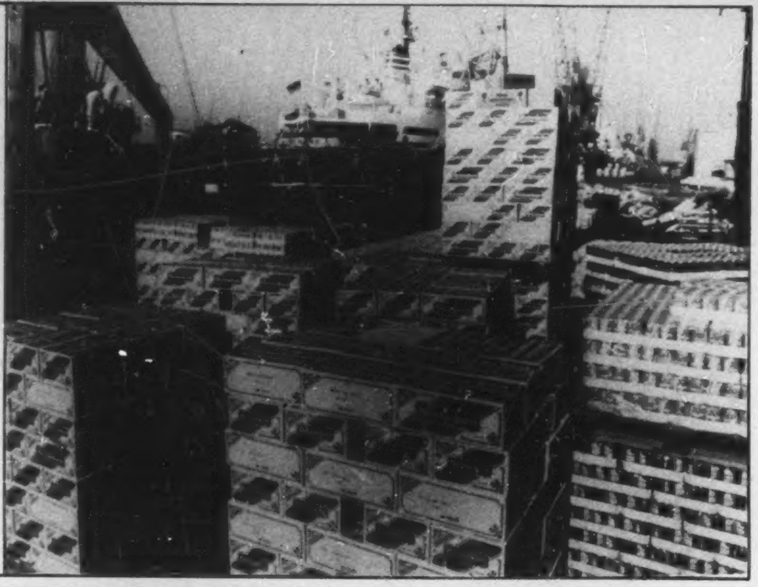
Al Nilson, advertising manager at Van Munching, explains, "The attitudes toward a high-quality, higher-priced import item have remained the same since the seventies. The same consumer who found an import product desirable then, finds it desirable now. But like the rest of us, he's feeling the pinch of the economic recession. What we're telling consumers in our advertisements is that quality is still worth it. Sure, it costs a bit more than an American bottle of beer, but the satisfaction derived from a Heineken will justify the cost."

A manifestation of the joint brewer-importer promotional thrust is Heineken's move into television advertising. The product's television exposure is greater than that of any other import beer and this segment of a multi-million dollar advertising budget is paying off, according to Nilson. "It's also helping us increase our off-premise market. We feel that if we get the proper exposure at the retail level, commensurate with the sales ability of Heineken to attract consumers and add the promotional support we at Van Munching give the brand, then we can generate that additional turnover."

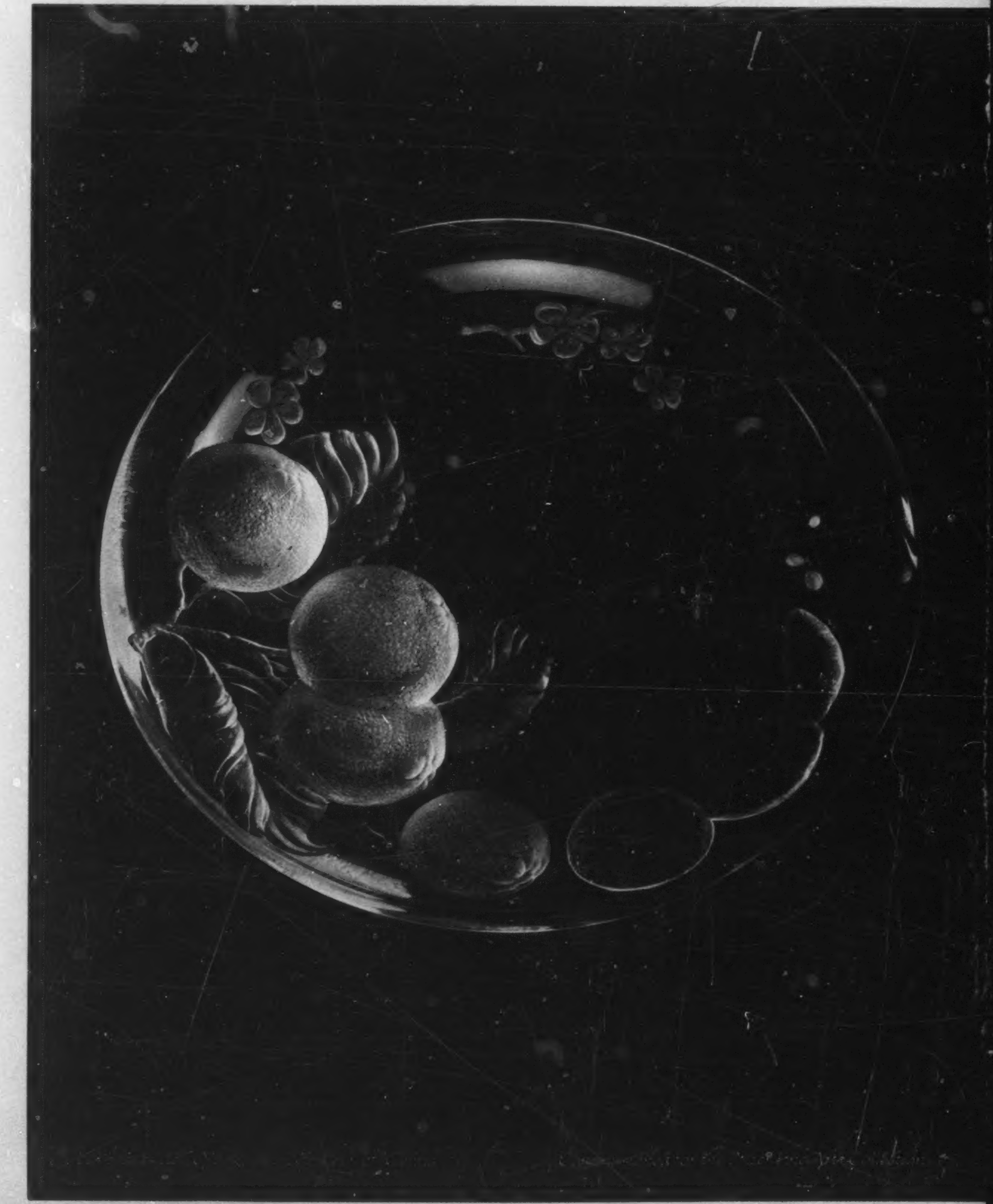
distinctive packaging

Heineken and Van Munching have also developed distinctive packaging for the product. While most domestic beers are packaged in brown bottles, Heineken is shipped in green glass; Heineken cans are bright green and sport a drawing of a windmill. (Interestingly, Alfred Heineken, current Chairman of the Board at Heineken and grandson of its founder, has been quoted as saying that the fact that the brand name sounds German has also helped.)

But advertising and packaging aren't the only ways Heineken maintains its status appeal. It has been frequently suggested to Alfred Heineken that the company could increase profits if they opened a brewery in the U.S. and avoid the expenses of shipping and import taxes. But Alfred Heineken remains firmly opposed to such a move. Heineken spokeswoman Francis Tjaarda explained to **BI**, "It's a question of authenticity. Americans who buy Heineken want to know that bottle of beer actually made the journey across



Cases of Heineken being loaded at a Rotterdam port for export to the United States.



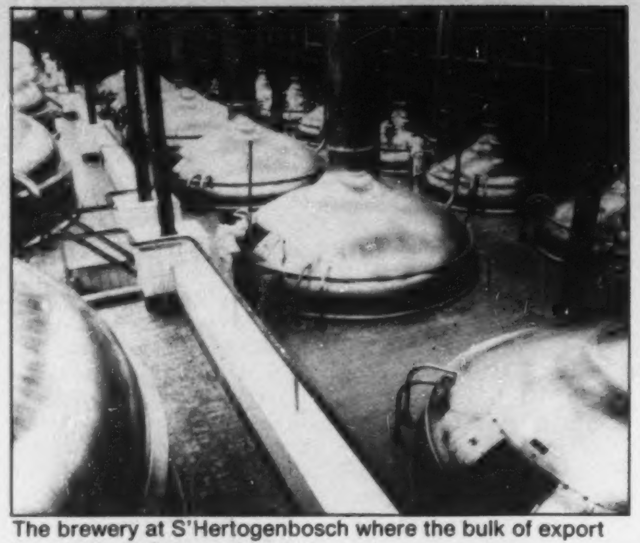
the Atlantic. Heineken beer brewed in New York or the Midwest just wouldn't have the same appeal.

"Actually," Tjaarda added, "Heineken company beverages are produced by more than 50 brewers outside of Holland. However, the beverage itself is more important to consumers in these areas than the location of the producer."

fine taste

"No matter where the beer is brewed, the prime concern of the Heineken company is maintaining a consistent standard of flavor and freshness," Tjaarda said. Alfred Heineken is adamant about quality control and maintains a staff of taste testers to be sure every batch of Heineken, domestic or export, meets the company's strict standards for palatability. "The fine taste of Heineken is attributable in large part to the particular strain of yeast that we use," Tjaarda explained, "Heineken A-1 was developed for the first Mr. Heineken by a student of Louis Pasteur. Quality is also maintained because Heineken's marketing and distribution methods insure quick turnover and a fresh product."

The distribution arrangement between Heineken and Van Munching is somewhat unusual, in that Van Munching takes title to the product as soon as it arrives in Rotterdam from the breweries in Amsterdam and S'Hertogenbosch (in Southern Holland) for shipment overseas. From Rotterdam, Van Munching arranges for the beer to be delivered to more than 25 U.S. ports. The importer maintains only one warehouse, located in New Jersey, to serve unexpected demand, but direct delivery from port to wholesaler on a regular basis is maintained throughout the country.


The brewery at S'Hertogenbosch where the bulk of export beer to the U.S. is produced.

Effective marketing strategies and the efficient distribution systems of Heineken and Van Munching weren't developed overnight. Heineken has been imported into the U.S. for 50 years, but the history of the company goes back much farther, almost 120 years to 1864 when a brewery in Amsterdam, "the Haystack" was purchased by Alfred Heineken's grandfather, Gerard Adriaan Heineken.

first shipment

The first Heineken shipment arrived in New York in 1933 immediately after the repeal of Prohibition and was distributed by Austin Nichols and Co. Heineken was gaining ground steadily in the beer market until World War II began and the German Army's invasion of Holland cut off shipments to the United States.

But in 1946, Heineken was quick to reenter the export market. In that year 23 year-old Alfred Heineken, voyaged to the United States to study the American market in the company of Leo Van Munching, Sr. who had been sent by Alfred's father, then President of Heineken, to be the exclusive U.S. importer of his beer. (Due to a change in regulatory laws, Nichols, a whisky distributor, could no longer carry Heineken.)

Van Munching's post-war efforts, a drive to make Heineken available nationwide have come to fruition. According to John McAna, Vice President and National Sales Manager at Van Munching & Co., "Today, fresh bottles of Heineken are available at 70% of all U.S. retail outlets." In 1960, Heineken sold a landmark one million cases, a figure that expanded to seven million cases in 1975. "This was the time of increased gourmet awareness," says McAna, "Times were relatively prosperous and the upwardly mobile consumer eager to show his good taste was purchasing Heineken in unprecedented quantities. We responded to this enthusiasm by advertising heavily." Their current slogan, "Come to think of it, I'll have a Heineken," continues to reflect that trend.

Heineken did suffer a brief

Only nature has had more experience with citric acid than Pfizer

Making the complex look simple is an art. Here, you see the art of a master engraver who has worked for months with the purest crystal.

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Exactly how nature produces Citric Acid was long a mystery; the chemistry was too subtle, too sophisticated. But Pfizer was determined to solve that mystery, and set out to find ways to produce bountiful new supplies of Citric Acid through the natural process of fermentation chemistry.

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Pfizer
CHEMICAL DIVISION

slowdown in increases in sales in 1979, resulting from a combination of consumer economic problems and price inflation due to an unfavorable exchange rate between the American dollar and the Dutch guilder. But despite the decline in increases, increases they were; while sales went up only 4% in 1980, they were back up by another 10% in 1981. Reflecting that slowdown, imports went from 4.4% of the total market in '79 to only 4.6% in 1980.

Both Heineken and Van Munching estimate that sales will continue to increase by 10% for the next three years and McAna is extremely optimistic about the product's future beyond that time, "Over the next 5 to 10 years, you're going to see steady growth, and I would project in 10 years the share of markets for imports will probably be double its current level."

Although Alfred Heineken returned to Holland after his studies, the Heineken and the Van Munching families have maintained a very close relationship. Both Alfred Heineken and Leo Van Munching Jr., president, keep alert to joint operations as well as staying very active within their own companies. In Holland, Heineken acts as direct supervisor to his R&D, public relations, and finance departments; in the United States, according to McAna, "Leo, Jr. has worked in more parts of the country than any other company executive. He is very active in all marketing activity and is on a first name bais with all our wholesalers."

But a visit **BI** made to the Heineken plant in Amsterdam reveals Alfred Heineken to be something of a legend to his employees, a personality continually making its presence known and a constantly watchful eye. He has developed a reputation for his marketing strategies and has been involved in everything from the lettering on the Heineken logo to plans for a brick container for beer, a design which would make the container useful once the beer had been consumed (this innovation never hit the market). When **BI** was interviewing, the firm was introducing new labeling machines in the Amsterdam plant to print machine readable codes on its packages. Heineken prides himself on keeping abreast of such innovations and considers the move a form of insurance in maintaining its extensive distribution and product freshness.

The familiar Heineken logo appears on delivery trucks across the nation.

Amstel Light

Heineken's efforts to stride ahead in the U.S. import market is not limited to one product. In addition to Heineken beer, Van Munching and Heineken have been successfully marketing Amstel Light in the U.S. since 1968. According to McAna, during the calendar year of 1982, the firm sold approximately 500,000 cases of Amstel Light, respectable for a new import, and a figure that places the product as the leader of the low-cal import market.

Amstel was originally brewed by a Dutch competitor of Heineken and had been imported to the United States as a regular beer until the 1960s. In 1968, Alfred Heineken purchased the company and decided to withdraw it from the American market and concentrate on the development of Heineken beer instead. When the decision was made in 1980 to reintroduce the product as a light beer, the firm had the advantages of a product with a well-known name and reputation. The use of a name such as Heineken Light was specifically avoided according to McAna, "Since Heineken does brew a light and a dark colored beer, we didn't want to confuse a color difference with a caloric one. We wanted Amstel Light to stand on its own and it does."

While Heineken does market a number of other beverages in their outlets worldwide, so far U.S. distribution has been limited to Heineken and Amstel Light. Will they introduce any new products to the U.S. import market?

(Continued on page 30)

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on Reader Service Card

A panel at Heineken headquarters in Amsterdam taste test every batch of Heineken.

Heineken

(Continued from page 10)

Neither Tjaarda nor McAna will reveal, but it's one idea being considered by Heineken and Van Munching.

If Heineken or Van Munching harbor any anxiety over their competitors, it is well concealed. Both Tjaarda and McAna seem confident that the quality of the product they sell in conjunction with advertising and distribution will keep them number one. With reference to the future of other imports, McAna cites the tremendous proliferation of brands over the past years and their limited success. "A lot of time and money is required to establish a new product, and too many of these companies are looking for a shortcut as far as the product, marketing, or distribution are concerned. It's taken us 50 years to get where we are now . . . we're not worried."

Packages

(Continued from page 1)

function of marketing research. something that has only just started.

According to one supplier, the success of beer in 12 packs is a result of aggressive marketing on the part of the beer industry "as far as package design and innovation." The billboard effect achieved on a paperboard 12 pack translates the product image at the point of purchase."

Research conducted by his company indicates that as many as 40% of paperboard multipacks picked up by the consumer are bought because of the package's appearance. And that appearance affects specific groups of people: young adults in the 18-39 age bracket strongly feel appearance is important. Older adults, 55 and over, are more likely to buy what they've bought for years. "They tend to be less educated and have lower incomes and are conditioned to buying one brand or one package."

The problem with the soft drink industry as this supplier sees it, is that "they [the parent companies] spend an awful lot of money on their advertising yet they are unwilling to convey what they're trying to say in their ads to the point of purchase [in packaging]. Maybe they feel they don't have to. Personally, I'm not sure if advertising alone can carry an entire merchandising program."

parent support lacking

Regardless of the specific reason, all suppliers contacted agree on one thing: parent companies are not giving their bottlers the support needed to make 12 packs a success, or even a viable packaging option.

Why? Well, some suppliers think soft drink 12 packs may never work as anything but a promotional package. It has been suggested that, unlike beer, soft drinks are just not something one sits down and drinks a lot of.

Les Behrend, president of the consulting firm Profit Management Development, agrees with that but also sees a way around it: "A cola would go in 12 packs; that's the largest selling flavor on the market. But other flavors alone wouldn't. Maybe if the flavors in a 12 pack were mixed and matched—half diet and half regular, for example—then it would work."

Others cited bottler reluctance as a main obstacle to 12 pack success. "Bottlers fight for a limited amount of shelf space and this package would be a gamble," said Bill Wright, general manager-beverage division of Zumbiel. "There's also the cost involved; at this point bottlers are not willng to make the capital investment." Another important point Wright noted is the price of package: "It would be okay if you could keep it under $5. But once it goes over that I can't see the consumer spending more than $5 for pop."

12 pack glass

Twelve pack bottles are just now beginning to make inroads in the beer industry. Anheuser-Busch has begun packaging Bud and Michelob in glass 12 packs; Miller and Heileman are getting into it in a much smaller way. Sources agree this package

(Continued on page 35)

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APRIL 8, 1983

Beverage Industry

MARKETING ☐ DISTRIBUTION ☐ TECHNOLOGY

AN HBJ PUBLICATION

ATF considering appeal of district court ruling

WASHINGTON, DC—The Bureau of Alcohol, Tobacco and Firearms (ATF) was considering at presstime whether to appeal a district court ruling here in February requiring it to reinstate its alcohol ingredient labeling rule, which was issued in June 1980 and rescinded in November 1981.

Judge John H. Pratt agreed with a suit filed by the Center for Science in the Public Interest (CSPI) in March 1982 arguing that ATF "acted in an arbitrary and capricious manner" by rescinding the rule under the Reagan administration's regulation reform. He ordered that the labeling rule take effect no later than Feb. 8, 1984.

So far, the court has refused a government request that the judge stay the ruling pending an appeal.

The labeling plan requires beer, wine and liquor manufacturers to either list their products' ingredients or provide an address on the label indicating where consumers can obtain this information. The rule is aimed at alerting drinkers with allergies to alcoholic beverage ingredients about product contents. It is estimated that 475,000 to 1.7 million people may suffer adverse reactions to various additives used by the industry.

The Wine Institute, which challenged CSPI's suit on the

(Continued on page 27)

Vending market continues upswing spurred by electronic innovations

PROSIT!
GOOD LUCK!
A VOTRE SANTE!
CHEERS!
SKOAL!

By Laura Martinez
Assistant Editor

SPECIAL REPORT—Despite the decline in the total number of vending machines shipped in recent years, the beverage vending segment is experiencing major increases.

While figures for 1982 vendor shipments from the National Automatic Merchandising Association won't be released until later this year, sources indicate that the upswing that started in 1980 is still continuing.

NAMA's 1981 figures (the latest available) show that the number of bottle soft drink vending machines shipped increased to 76,937 in '81 as compared to 66,663 in '80 for bottles; cans, 96,180 in '81 and 94,814 in '80; cups, 8,509 in '81, 8,415 in '80

NAMA says the value of the machines themselves went up as well in 1981. Can machines jumped almost $2 million that year from $97.5 million in 1980 to $99.5 million; bottle machines made an even more significant leap, $68.1 million in '81 from $51.2 million—increases of approximately $17 million. Cup machines rose $2 million, going from $21.4 to $23.8 million.

Most important, however, is the steady increase in the dollar amounts of products vended through the machines. Bottles made the highest jump, with $1.3 billion in sales through all vendors in '81, compared to $1.2 billion in '80. Can and cup products sold were less significant, but there was an increase noted. Cans approximately $3 billion from $2 billion; and cup sales increased

(Continued on page 5)

Safety of aspartame still under scrutiny by FDA

WASHINGTON, DC—A consumer advocate and a university professor have raised some questions about aspartame's safety as the Food and Drug Administration (FDA) considers whether to expand the use of the artificial sweetener to soft drinks.

In a letter to FDA Commissioner Dr. Arthur Ball Hayes, Dr. Michael Jacobson, executive director of the Center for Science in the Public Interest (CSPI) and Dr. Woodrow D. Monte, Arizona State University professor, have asked the agency to examine some of the byproducts formed as aspartame decomposes.

One substance they are concerned about is DKP, a breakdown product which could react with nitrites from other foods in the human digestive system, they claim, to form cancer-causing nitrosamines.

They noted that when FDA approved aspartame last year for table top use, the agency said that "under normal usage, the level of DKP is not likely to exceed 2% in aspartame."

However, Jacobson and Monte asked, "How can this level be reconciled when it is known that, when stored, the level of DKP in soft drinks and fountain syrups may exceed 50%?"

They based their questions and comments on a presentation by an unnamed scientist who said that "If aspartame

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Coke tests proprietary syrup system in FL

BI Package of the Week

ATLANTA—A new bag-in-box system designed to leave less than 1 oz. of syrup in the bag when drained, is undergoing testing in Florida outlets by Coke USA.

The system features a patented reciprocating pneumatic pump manufactured to Coke's specifications by Lancer Inc., San Antonio, TX. An elastomer diaphragm has been added to replace the piston and "O" ring commonly used in bag-in-box pumps. The advantages, according to Ira Smith, Coke's manager-equipment technology operations, are longevity and reliability. The diaphragm provides better sealing and less friction, resulting in fewer malfunctions, Smith told **BI**. Coke calls it the "lowest maintenance cost pump on the market."

The pump is activated by compressed CO_2. The low pressure CO_2 regulator (see diagram, page 26) lowers the CO_2 pressure leading to the pump to 50 psi; while the CO_2 pressure pushes on one side of the diaphragm in the pump, it pushes the syrup out. At the same time, it is drawing syrup in on the other side of the pump. The cycle is then reversed, or reciprocated. The CO_2 is

(Continued on page 26)

BI Week

- **Armed with a barrage of new commercials to reinforce its number one position in food stores, Pepsi-Cola USA officials also told franchises at its annual marketing meeting that it was also preparing a food service and fountain push.**

"Pepsi Now" is the umbrella ad theme for the firm's main product and thematic commercials are planned for all national spots. In "challenge" markets, 80% of the country, Alan Pottasch, sr vp, told the audience that the new theme would be wedded with the "taste-test" sell. Spending level: $40 million.

Pepsi-Free, now virtually national in distribution, will get new "harder-sell" flight of commercials for April/May screening. Spending for the new products is at a $33 million level.

A 40% boost in expenditures for Diet Pepsi is on

(Continued on page 15)

Contents

Vending markets are continuing to prosper

Despite the decline in the number of vending machines being shipped in recent years, beverage industry executives will be pleased to find the beverage vending segment is experiencing major increases—not only in profitability, but in technology and appearance as well.

In a special report, **BI** takes a look at the beverage vending market's slow but steady rise to profitability during the past two years and major developments in technology that aided the increase. Also, the recent rollout of new beverage flavors by major soft drink companies was a factor and **BI** examines that aspect as well. See **page 1.**

Aspartame's safety still being questioned

A university professor and the executive director for the Center for Science in the Public Interest (CSPI) have raised some questions about aspartame's safety as the FDA considers whether to expand the use of the artificial sweetener in soft drinks, according to **BI** sources in Washington, DC.

The two consumer advocates have written a letter to FDA Commissioner Dr. Arthur Ball Hayes, asking him to examine some of the byproducts formed as aspartame decomposes. See **page 1.**

Excise tax impacts on beverage industry

The recent gas tax increase, which sparked a nationwide strike of independent truckers, included a number of provisions which affect the beverage industry.

An article supplied exclusively to **Beverage Industry** by James A. Hackney III, president of Hackney and Sons, Inc. was designed and written to inform the beverage fleet operator about the new law, signed by the President earlier this year. For more about this important development, see **page 9.**

Fruit juice and drink markets are growing

The outlook is bright for the expanding fruit juice and drink markets, says Albert G. Munkelt, retired senior vice president, marketing planning with Coca-Cola.

In another exclusive to **Beverage Industry,** Munkelt describes the fruit juice and drink segments as a six billion dollar business—nowhere as big as carbonated soft drinks overall when the "away-from-home market" is included, but about 60% of soft drinks sold in food stores.

The category, Munkelt writes, at six billion dollars, is three times the business size it was ten years ago. Munkelt offers insight into the orange and apple juice markets as well as fruit drink and packaging. See **page 16.**

New cleaning system saves water, energy

A new CIP system was installed at the renovated Glenmore Distilleries plant, Owensboro, KY, which is fully automatic and said to conserve water and energy. The company also says it reduces manpower on cleaning and sanitizing operations.

The modernization of the plant itself was a two-year, $17 million project that enlarged production and bottling facilities. It also involved moving a line of Mr. Boston products to Owensboro from Boston. Completed in May 1982, the plant is now in full production and has the capacity to produce 4.5 million cases a year. See **page 20.**

Diet Seven-Up has new ad campaign

"Diet Seven-Up tastes as good as it looks," says the new ad for 1983. For the first time, Diet Seven-Up is being advertised on prime time television. Messages are selectively scheduled Wednesdays through Fridays on two network shows at the same time to increase visibility. Both spots are 30 seconds, with the first spot featuuring joggers at a refreshment stand and the second features a man and woman meeting for lunch. See **page 24.**

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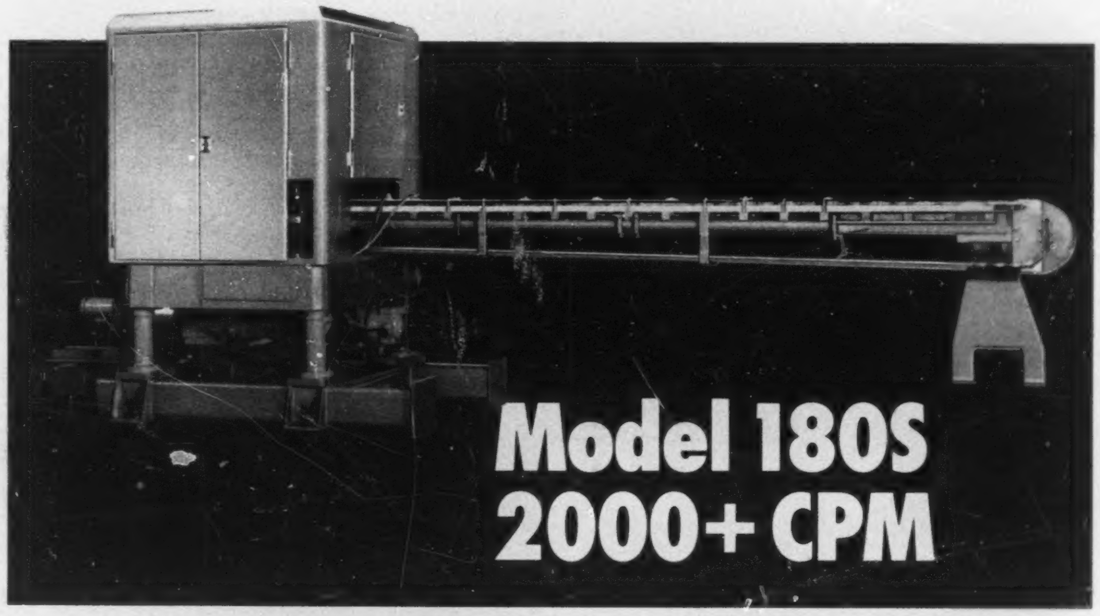

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83-1

Circle No. 114 on Reader Service Card

Excise tax changes will have major impact on beverage industry distribution costs

By **James A. Hackney, III,** president, **Hackney & Sons, Inc.,** Washington, NC

Editor's note: The recent "gas tax increase" signed by the President, included a number of provisions which affect the beverage industry. The accompanying article was supplied exclusively to Beverage Industry by James A. Hackney, III, president of Hackney & Sons, Inc. In addition to his expertise, Hackney also consulted with experts within the Excise Tax Branch of the Internal Revenue service. The article is intended to inform the beverage fleet operator about the new law. However, changes may evolve as special cases are decided. The author strongly recommends that readers consult with their firm's professional advisors for the final word.

President Reagan signed the Surface Transportation Assistance Act of 1982, Public Law 97-424 on Jan. 6, 1983. This act, consisting of 109 pages in the Conference Report, makes some of the most sweeping changes in the Federal Excise Tax since the tax was imposed more than 50 years ago. The press generally referred to the Act as a "gas tax increase", but it is much more than that. It changes the manufacturer's excise tax on trucks, truck bodies, and trailers, and it also affects the annual Federal Highway Use Tax payable on highway units whose weight exceeds a specified threshold.

As with any new law, there are a few ambiguously worded provisions subject to some latitude in interpretation. Extensive conferences by the author with some of the persons involved in writing the law and with personnel of the Excise Tax Branch of the Internal Revenue Service, which will enforce the law, have helped to clear up many of the issues. The latest and most definitive information possible is presented in this article. However, as with any matter of law, the answers are still unofficial at this point. Special cases may have subtle differences which change the situation. Courts may overrule IRS rulings. Therefore, as with any matter of law and accounting, the reader should look to his own professional advisor for the final word. The Act makes changes in three major areas of excise tax: it changes the tax on fuels and lubricating oil; it changes the tax on trucks and trailers, and parts and accessories for them (including tires, tubes and tread rubber); and it changes the annual Highway Use Tax on heavy vehicles.

The law at a glance

- **Motor fuels:** Substantial increase in taxes paid, perhaps as much as $150 per vehicle annually.
- **Excise tax on new units purchased:** tax savings on route-truck chassis of 33,000 lbs. GVWR or less can exceed $2,000; on route-truck bodies, $1,000. For trailers, the increases can be from $500 to $700 on the truck-tractor and $600 for the trailer.
- **Highway use taxes:** Typical route body exempt, saving $81 per year if empty weight exceeds 13,000 lbs. Taxes on trucks with tractors for route trailers (GCWR 50,000 lbs.) will increase from $150 to $475.

It is estimated that the additional net revenue to the Treasury will be $1.7 billion in Fiscal 1983, $3.9 billion in Fiscal 1984, and an average of $4.25 billion from Fiscal 1985 through Fiscal 1988, for a total 6-year increase of $22.6 billion after all offsets. Most of this increase will come from the additional tax on fuels.

The act provides that the excise tax terminate on and after Oct. 1, 1988. However, realistically speaking, every previous tax bill since 1954 has provided a termination date for the excise tax, and the termination date has been extended without exception ever since. It is realistic to expect that this date will also be extended, and that the excise tax will not be allowed to expire.

The first category, fuels and lubricating oil, will see a dramatic increase in the level of taxation. Presently, gasoline, diesel fuel and special motor fuels have a federal excise tax of 4 cents per gallon. Gasohol and alcohol fuels have a 4 cents per gallon exemption, rendering them non-taxable. Fuels used for non-highway business use are currently taxable at 2 cents per gallon, and fuels used by state and local governments, private buses, not-for-profit educational institutions, farms, and qualified taxi cabs are currently exempt. Lubricating oil is currently taxed at 6 cents per gallon.

As publicized, the act increases the fuels tax by 5 cents per gallon, effective April 1, 1983. In other words, gasoline, diesel fuel, and special motor fuels will be taxed at 9 cents per gallon. Gasohol will retain its 4 cents per gallon exemption, making it taxable at 5 cents per gallon after April 1. Alcohol fuels will be totally exempt, as will non-highway qualified business uses, state and local governments, private buses, not-for-profit educational institutions, and farming. Qualified taxi cabs will retain their 4-cents exemption, resulting in a 5 cents-per-gallon tax.

> ***"Overall the beverage industry will probably save money as a result of the changes."***

The 6-cents-per-gallon tax on lubricating oil is repealed effective April 1, 1983.

Since virtually all beverage operations use either gasoline, diesel fuel, special motor fuel (such as LP gas), or gasohol, the net effect of the act will be a 5-cents-per-gallon increase in the price paid for fuel. The special-fuels provision is worth noting, since it is often overlooked. Non-taxable LP gas (for heating purposes) which is used in a highway vehicle becomes taxable as a special motor fuel, the same as diesel oil. A fleet operator who purchases these fuels tax-exempt must file a Quarterly Excise Tax Return, IRS Form 720, and pay tax on the exempt fuel used as motor fuel.

manufacturers excise tax

The second category of changes produces the most sweeping remodeling of existing tax law. Effective Jan. 7, 1983, the federal manufacturers excise tax is repealed on truck chassis and truck bodies suitable for use with (and ordinarily used with) a vehicle which has a gross vehicle weight of 33,000 lbs. or less. The tax is also repealed on truck trailer and semi-trailer chassis, and bodies suitable for use with a trailer or semi-trailer, which has a gross vehicle weight of 26,000 lbs. or less. For purposes of the act, a trailer is considered to be a separate chassis and body.

In recent years, the gross vehicle weight has become synonymous with the Gross Vehicle Weight Rating (GVWR) as defined under regulations prescribed by the National Highway Traffic Safety Administration, U.S. Department of Transportation. The IRS has traditionally followed the same guidelines in determining gross vehicle weights for manufacturers excise tax purposes in recent years. However, it is not required to do so. The act gives the Secretary of the Treasury or his delegate (Commissioner of Internal Revenue) the authority to prescribe regulations to determine the gross vehicle weight.

Virtually all truck chassis and truck bodies used in beverage delivery, as distinguished from truck-tractors and truck trailers or semi-trailers, have GVW ratings below 33,000 lbs. and become tax exempt on Jan. 7, 1983. Most beverage trailers have gross weights well over 26,000 lbs. and will continue to be taxable after January 7, 1983. A major feature of the new act is that the excise tax on truck-tractors, that is, trucks equipped with a coupling device such as a fifth wheel chiefly used for use in combination with a trailer or semi-trailer, is **not** repealed. Truck-tractors are subject to excise tax regardless of their gross vehicle weight rating. The impact of this will be discussed later.

A provision of the act also allows for refunds of excise tax paid on units for which the tax is repealed which were delivered on or after Dec. 3, 1982. Since this was a manufacturer's tax, the manufacturer must apply for the refund or credit. To obtain the refund or credit, the manufacturer must show that the unit was actually sold to the ultimate purchaser on or after Dec. 3, 1982 and that the tax has been refunded to such purchaser. The deadline for applying for refund is July 1, 1983, and the deadline for obtaining it is Oct. 1, 1983.

The tax on all automotive parts and accessories is also repealed, effective Jan. 7, 1983. Unlike trucks, there is no provision for refund for parts sold prior to that date. Notwithstanding the blanket repeal on parts, there is a special provision which will continue to make some parts taxable if installed on a taxable vehicle within 6 months after it is placed in service. This provision will also be discussed later.

The act also makes substantial changes in the taxation on tires, effective Jan. 1, 1984. Previously, tires for highway vehicles were taxed at 9.75 cents per pound of rubber weight. Laminated tires were taxed at 1 cent per pound, inner tubes were taxed at 10 cents per pound, and other tires were taxed at 4.875 cents per pound. Tread rubber, such as used in recapping, was taxed at 5 cents per pound.

The act repeals all of the excise taxes on all tires, tubes, and tread rubber, except those of the type used on highway vehicles. For highway vehicle tires, the first 40 lbs. of tread rubber will become exempt from tax. The next 30 lbs. will be subject to a 15 cents per pound tax. The next 20 lbs. will be taxed at 30 cents per pound, and rubber weight over 90 lbs. will be taxed at 50 cents per pound. For example, a tire with 100 lbs. of rubber weight would have been taxed at $9.75 under the old law. The new law will increase the tax to $15.50.

tax increase and change to retail level

The excise tax increases from 10% to 12%, effective April 1, 1983, for those items which remain taxable. In

(Continued on page 12)

About the author

Hackney

James A. Hackney III is president of Hackney & Sons, Inc. of Washington, DC and is a registered professional engineer. He is recognized as one of the nation's leading experts in the field of Federal Excise Tax, having served more than 13 years as chairman of the taxation committee of the Truck Body and Equipment Association, Inc.

He moderated a national Excise Tax Seminar in Washington, DC in February to explain the new law, has spoken on the subject at four national conventions of TBEA. He has also testified before Congress on behalf of the truck body industry as well as authored five articles on the subject, which appeared in national trade publications for the truck body and trailer industry and beverage industry. He frequently serves as a consultant to law firms and others involved with the excise tax.

Hackney currently serves on the TBEA Board of Directors and is a member of its Beverage Body Manufacturers Div. He is a past president of the Boosters Association, Virginia Soft Drink Association.

Excise tax

(Continued from page 9)

addition, the tax is changed from a manufacturer's (wholesale) tax to a retail tax on that date. This change in the level to which the tax applies is probably the most sweeping change in the act.

Heretofore, the 10% excise tax applied to the manufacturer's wholesale price of the taxable item. If the manufacturer sold at retail, the wholesale price was established by Revenue Ruling as 90% of the actual retail price. In other words, the effective tax rate has been 9% on beverage bodies and trailers purchased by the user from the manufacturer. This has been the normal purchasing practice in the beverage industry. If the unit subsequently had additional parts added after purchase, the parts were taxable at a separate rate of 8%, but there was no further tax consequence for the basic unit. The labor for the installation of the parts was excise-tax exempt.

After April 1, 1983 all of this changes. Whereas the old tax rate was effectively 9%, the new tax rate will be 12%. Most beverage trailer users will experience a 33% increase in the tax they pay on trailers, since most trailers remain taxable.

Should a taxable unit be bought from other than the manufacturer, such as a distributor or a truck dealer, then the full marked-up price of the unit will be subject to tax at the 12% level. This differs from the old law, wherein the tax was a manufacturer's tax and there was no subsequent tax liability for progressive levels of sales.

It has no doubt occurred to some that a possible way to save tax is to purchase a taxable unit without several of its major detachable parts and then to purchase the parts separately in a tax-free transaction. Evidently the Congress anticipated this, because there is a provision in the act which taxes at 12% any parts installed on a taxable unit within 6 months after the date such unit was first placed in service, just like tax on the unit. This provision is effective April 1, 1983. The tax applies both to the part and the cost of installation, which differs marketedly from the old law; labor of installation was not taxable under the old law. There is an exemption if the parts and labor total no more than $200 or if they are bonafide replacements of parts originally a part of the vehicle. The owner of the company installing the part or accessory is now secondarily liable for the tax, meaning that in most cases he must collect the 12% himself.

The act provides definitions as to what is meant by the "first retail sale": the first sale other than for resale is the sale to which the tax applies. A manufacturer who might lease a vehicle rather than sell it is considered to be the first retail seller. In such cases, he must collect 12% of each lease payment until the total tax collected equals 12% of the retail price.

A manufacturer who uses an article rather than selling it is liable for the tax in the same manner as if the article were sold at retail by him. This is an often overlooked but important provision which will probably affect every beverage trailer user at one time or another, as will be explained later.

The retail tax will be based on the price of the article which includes any charge incident to placing the article in a condition ready for use. Trade-ins may not reduce the retail price for excise tax purposes. However, the retail price will not include state and local sales and use tax, nor will it include the excise tax.

Table 1: Increases in highway use taxes[1]

Fiscal year beginning July 1	Applicable tax rate	Maximum tax
1984	$40.00	$1,600.00
1985	40.00	1,600.00
1986	44.00	1,700.00
1987	48.00	1,800.00
1988 (& thereafter)	52.00	1,900.00

[1] For gross weight exceeding 55,000 lbs.

Source: U.S. House of Representatives (Report 97-987 page 86), Surface Transportation Assistance Act of 1982-Conference Report

Copyright: Beverage Industry April 8, 1983

Table 2: Comparison of old and new use tax assessments[1]

Two-axle truck-tractor actual unloaded weight	Assumed total vehicle weight	Annual use tax under old law	Annual use tax 7/1/84-6/30/86
5500 to 7000 lbs.	30,000 lbs.	$ 90	-0-
7000 to 9500 lbs.	40,000 lbs.	120	$225
9500 to 11,000 lbs.	50,000 lbs.	150	475
over 11,000 lbs.	60,000 lbs.	180	800

[1] For two-axle truck-trailers

Source: IRS Form 2290 and J.A. Hackney, III

Copyright: Beverage Industry April 8, 1983

It was mentioned earlier that a manufacturer who produces and uses a taxable article is liable for the tax in the same manner as if he sold it. This is an especially important provision because of a concept known as "further manufacturing". It is possible to purchase an article which is tax exempt and then perform some operation on it, or install some part, which converts it into a taxable article. This process is known as "further manufacturing". The owner of the article at the time of conversion is the "statutory manufacturer" and is liable for the tax.

For example, suppose a beverage-trailer user purchased a 30,000-lb. GVWR truck from his local truck dealer. A 30,000-lbs. GVWR truck may be used either to carry a route body or it may be used to tow a route trailer. The truck is exempt when used with a route body but taxable when used as a truck-tractor to tow a route trailer. The truck manufacturer and dealer may not know the intended use, and therefore the truck chassis may be sold tax free.

Subsequent to purchase, the beverage-trailer user may contract with his trailer supplier to install a fifth wheel on the truck to make it suitable for towing a route trailer. It is usual to perform other work at the same time, such as shortening the chassis frame and installing additional gas tanks, etc. Such action has significant tax consequences.

First, the act of installing the fifth wheel is "further manufacturing," in that it converts a non-taxable vehicle into a taxable vehicle. The owner of the truck chassis at the time of the conversion is the "statutory manufacturer" and is liable for the tax. This is normally the beverage trailer user.

In addition, the installer who converts the unit is jointly responsible for collecting the 12% excise tax on all parts and labor installed on the taxable vehicle within 6 months after it was first placed in service. Although the exact meaning of this is not certain, it is probable that the IRS will rule that the conversion creates a new vehicle, no matter how old the truck chassis was at the time of conversion. Therefore, any parts installed at, or within 6 months after, conversion become taxable.

The same situation applies to a tax-exempt trailer which is converted into a taxable trailer. For example, a user might choose to purchase a trailer with a light-duty axle which has a gross vehicle weight rating of 26,000 lbs. or less. Subsequently, he may remove the light duty axle (or certain components, such as tires, which reduce the axle rating) and replace it with one of heavier duty which increases the gross weight rating above 26,000 lbs. This converts the trailer from a non-taxable one into a taxable one and is "further manufacturing." The owner of the trailer at the time of conversion is liable for the tax.

> ***"In recent years, the trend in the beverage industry has been sharply toward trailers . . . the act may cause a reversal of this trend."***

penalties

There may be a tendency to say, "So what," make the conversion, and take one's chances on being caught. Do so at great peril; the potential penalty is quite severe! First, the assumption that the tax will be 12% of the user's total cost of the converted item is currently erroneous. Until it is rescinded, Revenue Ruling 73-560 establishes that the constructive sale price for items which are further-manufactured and then used by the further-manufacturer, will be the user's total cost plus a mark up of 10%.

In other words, the effective tax rate on further-manufactured items is 13.2% of the cost base. It is also normal for the IRS to add substantial penalties and interest which can easily exceed 100% of the original tax liability. Finally, if the IRS believes that there is a premeditated attempt to defraud the Treasury, it may seek a fraud indictment. This is not as farfetched as it seems; the IRS has successfully prosecuted executive officers of at least one major manufacturer of trailers for excise tax fraud.

The mechanics of reporting the tax on further manufacturing involves the filing of a Quarterly Excise Tax Return, IRS Form 720. The tax is computed based on 12% of the constructive sale price; and credit is deducted for any tax already paid, such as the tax on the parts and labor of installation. The difference is remitted to the Treasury.

It should be obvious from the foregoing that it is both simpler and cheaper to purchase the taxable item already manufactured to the user's specifications from someone else. There will be no further tax consequence, and the user will have the peace of mind that goes with compliance. The alternative is to "play games" with the law, and the chances of being caught are quite high. Some manufacturers and users attempted to circumvent the 1971 amendments to the Excise Tax Code, which established a 10,000-lb. GVWR threshold for taxation. The IRS quickly moved in on the subterfuges and eliminated them, at considerable expense to the transgressors.

highway use tax

The third category of tax changes involves the annual Federal Highway Use Tax. Prior to the new act, the tax was assessed at $3.00 per 1,000 lbs. of gross vehicle weight if the vehicle weighed more than 26,000 lbs. In other words, if a vehicle weighed 26,000 lbs. or less when loaded, it was exempt. If it weighed 27,000 lbs. loaded, the entire 27,000 lbs. were taxable. The total tax in such a case was $81.00.

The Internal Revenue Service applied the tax based upon the empty weight of the vehicle. Someone in the IRS decided many years ago that a truck was capable of a gross weight equal to twice its empty weight. Therefore, if the empty weight was 13,000 lbs. or less, the unit was exempt. If it was greater than 13,000 lbs., the IRS assessed an annual use tax equal to the lowest taxable category of 27,000 lbs., or $81.00.

The IRS followed a similar line of thinking for combination units (truck-tractor and trailer), except that it was assumed that a two-axle truck-tractor could tow a trailer of four times the tractor's weight. In other words, the total vehicle was assumed to weigh five times as much as the tractor. The tax was then assessed on the truck-tractor only, based on the assumed weight of the combination vehicle.

"Slots" were established for truck-tractors with varying empty weights, and the tax was assessed accordingly. For example, a two-axle truck-tractor with an unloaded weight of 7,000 lbs. to 9,500 lbs. was assumed to weigh an average of 8,000 lbs. Such a tractor was assumed to be capable of pulling a trailer of four times its own weight, or 32,000 lbs., for a Gross Combination Weight Rating of 40,000 lbs. The tax was therefore $120.00.

The new act increases the threshold for taxability for highway use tax from 26,000 lbs. to 33,000 lbs. In addition, a unit which passes the threshold is only taxed on the basis of its gross weight which exceeds 33,000 lbs. Under the old law, a unit which exceeded the threshold paid tax from the first pound.

For vehicles with gross weights of 35,000 lbs. or more, the act will produce an increase in annual tax, and in most cases, the increase will be dramatic. The act provides that units with taxable gross weight of at least 33,000 lbs., but less than 55,000 lbs., will be assessed an annual tax of $50 a year plus $25 for each 1,000 lbs., or fraction thereof, in excess of 33,000 lbs. Units which exceed 55,000 lbs. gross weight, but less than 80,000 lbs., will be assessed a tax of $600 a year plus the "applicable tax rate" for each 1,000 lbs., or fraction thereof, in excess of 55,000 lbs. Units with taxable gross weight of 80,000 lbs. or more will be assessed the maximum tax per year.

The increase in the Highway Use Tax becomes effective on July 1, 1984. The "applicable tax rate" and the maximum tax for units exceeding 55,000 lbs. gross weight will escalate from 1984 through 1988 based on the schedule shown on page 12, Table 1.

Both the old law and the new act provide that a truck chassis and body which is equipped with a pintle hook or other towing device is assumed to be intended for use as a combination vehicle, and the use tax is assessed accordingly.

Vehicles used less than 5,000 miles on public highways are exempt from the annual Use Tax. It is not inconceivable that some route trailers in central-city use may fall into this category. In such cases, the IRS will either waive the tax or refund it if it has already been paid, upon certification that the vehicle did not exceed 5,000 miles on the public highways during the taxable period (fiscal year). Should the unit exceed 5,000 miles, the exemption will be lost for that vehicle for that period.

Vehicles placed into service during the taxable period which are subject to Highway Use Tax will be liable for a prorata payment of the tax for the portion of the year during which they were in service, based on the number of months of use.

The Internal Revenue Service anticipates that it will continue to use a slotting system for assessment of the new tax based upon the empty weight of the truck-tractor only, without regard to the weight of the trailer. It is possible that the old formulas might be updated, and the IRS expects to receive some assistance from the Department of Transportation in establishing these guidelines.

Considering the dramatic increase in the annual tax, the IRS will probably establish more weight categories, so that each category will have a smaller tax difference. The IRS has until July 1, 1984 to develop these regulations, so taxpayers will have ample notice.

Since it is not certain how the tax will be assessed under the act, it is impossible to give an exact comparison. However, based upon the old policy, Table 2, page 12 gives a comparison of the old tax and the new tax categories of two-axle truck-tractors, which are the type in most common use in our industry for route trailers.

Most beverage fleet operators are already familiar with the annual Highway Use Tax and are paying it. For those who are not, the tax is reported by filing a "Federal Use Tax Return on Highway Motor Vehicles," IRS Form 2290. As with this and all IRS forms, additional information and advice can be obtained from your tax advisor and/or the nearest office of Internal Revenue Service.

> ***". . . it is both simpler and cheaper to purchase the taxable item already manufactured to the user's specifications from someone else."***

summary

In summary, dramatic changes have been made in the Tax Law. Overall, the beverage industry will probably save money as a result of the changes.

In the case of motor fuels, the effect will be a substantial increase in the annual tax paid, probably on the order of $150 per vehicle.

In the case of the excise tax on new units purchased, some will be considerably cheaper and some will be considerably more expensive. The tax savings on a route truck chassis of 33,000 lbs. GVWR or less can exceed $2,000, and the tax savings on a route-truck body can exceed $1,000. On the other hand, purchasers of route trailers and truck-tractors to tow them will find a tax increase from present levels on the order of $500 to $700 for the truck-tractor and $600 for the trailer.

In the category of annual Highway Use Tax, the typical route body will now be exempt, thereby saving $81 per year if it was taxable under the old law (empty weight exceeding 13,000 lbs). However, the typical route trailer with tractor has a gross weight of approximately 50,000 lbs. For that weight, the tax will increase from $150 at present to $475. Since this is an annual tax, it will have the greatest impact of the three.

Overall, the reduction in excise tax on the sale of route trucks and bodies, when amortized over their life, will more than offset the additional tax on fuels. Those route trucks with bodies weighing more than 13,000 lbs. empty will also save $81 per year in Highway Use Tax. Therefore, route trucks and bodies will be cheaper to buy and only slightly more expensive to operate under the new Act.

On the other hand, truck-tractors and trailers will be more expensive in all situations. The excise tax will add approximately $1,200 to the purchase price, and users also will pay about $500 more tax per year than presently. It is evident that the act was designed to assess a larger share of the cost of highway construction and maintenance to trailer operators. Over-the-road, long-distance haulers do not have a choice. Soft drink bottlers and beer distributors do.

In recent years, the trend in the beverage industry has been sharply toward trailers, with the most recent industry statistics showing approximately one-third of total-unit deliveries being trailers. The act may cause a reversal of this trend.

As with all business decisions, the choice of route delivery equipment is a matter of weighing the financial advantages of trailer operation against the additional tax cost under the act. In the months immediately ahead, many beverage fleet operators will be doing just that.

White Rock

(Continued from page 4)

like this drink. It's for the more occasional drinker of beer and alcohol."

But Morgan thinks Moussy will be a success for another reason.

"No one has put a substantial media budget behind a non-alcoholic malt beverage before. We will in selective markets. We really feel this product has a far better taste than any near-beer or malt beverage."

Morgan said that the thrust of his ad campaign will be in the New York-New Jersey metropolitan area. "The planning is not finalized yet," he added.

Morgan expects to spend about $.5 million in advertising on television, radio and magazines, using the slogan "the drink to choose when you choose not to drink."

"We plan to have the announcer consume Moussy on television," said Morgan. The FCC prohibits consumption of alcoholic beverages on TV commercials.

The beer will be primarily distributed through beer wholesalers. "Moussy will be available to beer wholesalers and other distributors who would not necessarily have a liquor license."

Morgan said he would welcome soft drink bottlers. "There are many states that don't have beer sold in grocery stores. We think we have much potential to be sold there. There's also much potential for bars and restaurants, but more of the table cloth restaurants than saloons," Morgan said.

Moussy will be distributed in New York, New Jersey, Connecticut, Massachusetts, Illinois, California and Texas. Five other states are pending; they are Florida, Maryland, Ohio, Pennsylvania and Virginia.

It will be sold in 11.1 oz. bottles in six-pack carriers. Depending on the state, Moussy will retail anywhere from $3.49 to $4.49 for a six-pack.

In addition, White Rock will be importing Cardinal Pilsener Beer from Sibra. It will also be sold in six-packs ranging in price from $3.99 to $4.99. It may eventually be sold in cans and on draft, he added.

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Bulk soft drink sales make slight volume gain

By Gary Hemphill,
Associate editor

SPECIAL REPORT—While bulk soft drink sales continue to grow in volume, they have stopped displacing packaged sales as a total of the market.

The bulk segment of the soft drink market has been increasing over the last 15 years at a compound annual rate of 9.7%, but this growth has slowed over the last five years. The increase in bulk since 1976 has been at an 8% annual compound rate.

Why? Perhaps because of fast food restaurants. They have often been cited as the main reason for the inroads made in bulk sales over the last 20 years. For example, bulk sales were only 12% of the total market in 1965 and 22.4% of the market in 1981.

But it seems now the market is saturated with fast food restaurants and their popularity may have peaked. Thus while bulk sales continue to grow (about 3.7% in 1981), they are no longer doing so at the expense of packaged soft drinks.

The majors continue to hold onto the largest share of the bulk market with Coke far in front of Pepsi.

That could begin to change, though, with the increasing acceptance of the bag-in-box system, an alternative to steel transfer tanks. This could bring more "mom and pop" syrup manufacturers into bulk sales, one industry source believes, because the initial cost is less.

The bag-in-box consists only of a metallized bag enclosed in a corrugated cardboard box that is easily stored until it's ready to use. Cost is about $1.65 for one, compared to a steel tank, which runs over $35.

This system works with the aid of a pump, either electric or air, that pulls the syrup out of the bag up to the dispenser. Bag-in-box has been used for about 20 years in the dairy industry, but it's new to the soft drink industry.

Problems in designing an efficient pump have held back its development in the soft drink industry. In addition, few of the systems have been approved by the majors. (See related story, page 1.)

But now it appears that many of the bugs have been worked out of the system. In addition, approval by some of the major syrup manufacturers is eminent.

One industry source feels the bag-in-box system will certainly make big inroads in the market, but won't completely displace steel transfer tanks.

Where can the bag-in-box be especially applicable? At special events for which it would be impractical to buy a large number of tanks for a one-time event. Or in a situation where a bottler has long lines of distribution and doesn't own his own fleet. The disposable bag-in-box would be particularly useful here.

On the other hand, transfer tanks aren't on the way out because they already represent a major investment for bottlers; they can't simply be discarded.

For this reason, an industry source estimates that steel transfer tank companies can expect at least level growth in sales in the future.

While the bag-in-box system is cheaper in the short run, they may not be in the long run. One source estimates they are actually more expensive. "There are some transfer tanks around that have been in service as many as 20 years. Even if you include maintenance costs, this makes the steel tanks cheaper," the source said.

Here's a rundown on some of the bag-in-box manufacturers.

B-Bar-B, Inc., introduced the Syrup Pak at the 1981 NSDA convention in Los Angeles.

"It's a proven system," said Kenneth Hartung, director of marketing. Hartung said at the end of 1982, the system was in use in 600 to 700 locations.

"We're hoping the majors will approve it in '83. That will open a lot of doors for us," he said. It's already been approved by Sunkist and Lipton.

Hartung labels cost and convenience as the major advantages of the system. "We've talked to a lot of potential users and they feel they could realize a 25 to 45% savings by switching from steel transfer tanks to the bag-in-box system."

Grant Pedige, product manager for Liqui-Box Corp., located in Worthington, OH, said his company is "continually looking for new pump suppliers."

But he believes Shur-Flo offers the best pump on the market now. "We use that pump most of the time," he said. Liqui-Box has many applications outside of the soft drink industry now, but Pedigo expects major gains to come soon at the expense of steel transfer tanks.

Scholle's bag for bag-in-box systems was just approved by Coke because it met Coke's standards and offered the best taste.

Three companies are among the leaders in pump manufacturing for the system. They include Shur-Flo, Flo-Jet and McCann's.

Ernest Burnett, vp of Flo-Jet, said Coke, Pepsi and Seven-Up are testing their pump now. "There are a couple people using it now," said Burnett, which was introduced to the market last year.

With efficient pumps coming on the market and approval of the bag-in box by syrup manufacturers, it appears the bag-in-box is ready to explode on the market. While it probably won't completely displace the steel transfer tank, it should grab a sizeable share of the market. In the end, though, its effect on bulk sales will probably be minimal.

Soft drink industry packaged and bulk sales

Year	Total sales (Mil 12 oz.)	Packaged sales (Mil 12 oz.)	Percent packaged (%)	Bulk sales (Mil 12 oz.)	Percent bulk (%)	Total wholesale value (Mil $)
1981	95,033	73,746	77.6	21,287	22.4	20,015
1980	91,598	71,080	77.6	20,518	22.4	17,677
1979	87,948	68,336	77.7	19,612	22.3	14,973
1978	83,760	65,752	78.5	18,008	21.5	13,345
1977	77,945	61,499	78.9	16,446	21.1	11,527
1976	70,859	56,333	79.5	14,526	20.5	10,375
1975	62,652	49,683	79.3	12,969	20.7	9,398
1974	60,768	48,007	79.0	12,761	21.0	7,827
1973	60,346	48,277	80.0	12,069	20.0	6,223
1972	56,663	45,614	80.5	11,049	19.5	5,684
1971	53,657	43,462	81.0	10,195	19.0	5,347
1970	49,546	40,479	81.7	9,067	18.3	4,800
1969	46,610	38,546	82.7	8,064	17.3	4,370
1968	44,433	37,546	84.5	6,887	15.5	4,166
1967	39,520	32,683	82.7	6,837	17.3	3,459
1966	37,641	32,371	86.0	5,270	14.0	3,176
1965	33,669	29,326	87.1	4,343	12.9	2,736

SOURCE: National Soft Drink Association Sales Survey, 1965-1981

Copyright: Beverage Industry,
April 8, 1983

Ocean Spray receives President's "E" Award

PLYMOUTH, MA—The US Department of Commerce recently awarded Ocean Spray Cranberries, Inc. with the President's "E" award for excellence in export expansion.

The President's "E" Award was created by executive order of President John F. Kennedy in 1961. It is presented by the Commerce Dept. in recognition to persons, organizations or firms for superior business achievement in exports over a sustained period, and for having achieved a breakthrough in a particularly competitive international market, according to the Commerce Dept.

Ocean Spray cranberry products, including processed juice drinks, sauces and fresh fruit, are exported to dozens of countries throughout the world with some products packed under licensing arrangements in Canada, Australia, Japan, Taiwan and United Kingdom.

In accepting the award, Ocean Spray president Hal Thorkilsen indicated that exports of the marketing cooperative's cranberry products have increased almost tenfold since 1974.

Ocean Spray Cranberries, Inc. is a marketing cooperative with grower-owners in Massachusetts, Rhode Island, Wisconsin, New Jersey, Washington, Oregon, Florida and Canada. The company also maintains manufacturing facilities in five of those states, and a plant in Texas.

After receiving that award, Ocean Spray itself named seven food brokers in respective categories as "Brokers of the Year."

Left to right: Edward Trundle, Ocean Spray; Horst Class, director Ocean Spray marketing international; Richard Schrofeter, Dept. of Agriculture; Jimmy Minyard, USDA; John Fitzgerald, Massachusetts Dept. of Agriculture; Hal Thorkilsen, president, Ocean Spray; Frank O'Connor, Dept. of Commerce; Warren Bowen, Ocean Spray.

The Los Angeles-based Horn & Associates was cited for outstanding performance during 1982 in the large retail broker category as well as the large non-grocery broker section.

Each year Ocean Spray recognizes brokers in the retail, food service and non-grocery trades. Winners were announced recently by the company at the National Food Brokers Convention in San Francisco. Other award winners include: Edwards/Kauffman of Portland, OR, mediumsize retail; Consolidated Brokerage of Greenville, SC, small-size retail; Atlantic Marketing Forces, Glen Cove, NY, large-size food service; Tom Trump Co., Milwaukee, medium-size food service; Bigner-Campbell, Shreveport, LA, small-size food service; and Bratt, Foster & Hayes, Syracuse, NY, medium-size non-grocery.

Minute Maid debuts juice with less acid

HOUSTON, TX—To meet the needs of consumers who like orange juice but not all its acid, the Coca-Cola Company Foods Division has introduced Minute Maid Reduced Acid Orange Juice product in frozen concentrate form.

Through a special ion exchange process, developed by the Foods Division and approved by the Food and Drug Administration, the citric acid level is reduced. No sugar or preservatives are added, and the nutritional quality is the same as regular Minute Maid.

According to test market studies by the Foods Division, reduced acid orange juice appeals to many consumers who would not ordinarily purchase orange juice because of their perceived sensitivity to the acid content.

C5250-2 4/26/83

SOFT DRINKS ☐ BEER ☐ BOTTLED WATER ☐ WINE ☐ POWDERS ☐ JUICES ☐ SPIRITS

APRIL 22, 1983

Beverage Industry

MARKETING ☐ DISTRIBUTION ☐ TECHNOLOGY

An HBJ PUBLICATION

'Pepsi Now!' in '83

New programs, TV spots fuel Pepsi's market push

By William R. Dolan

HONOLULU—In 1983, Pepsi-Cola will attempt to consolidate its take-home market gains of recent years, aggressively strike out at arch rival Coke's big lead in the food service/fountain area and continue to press its "Pepsi Challenge" taste-test campaign. The weapons in this latest salvo in the cola wars include a battery of new commercials for all products, continued discounting practices, a new emphasis on bag-in-box dispensing, renewed efforts to establish separate food service departments and the possibility of TV commercials broadcast during kids' Saturday morning shows (for caffeine free products).

More than 2,000 members of the Pepsi family, including guests, gathered here in early March, for the 36th national meeting of the Pepsi-Cola Bottlers Association. What

(Continued on page 17)

ATF petitioned to require caloric labeling

WASHINGTON, DC—A group of diet-conscious consumer and health care organizations has petitioned the government to require that all alcoholic beverages list their caloric content per serving.

Currently, light beers must include an analysis chart

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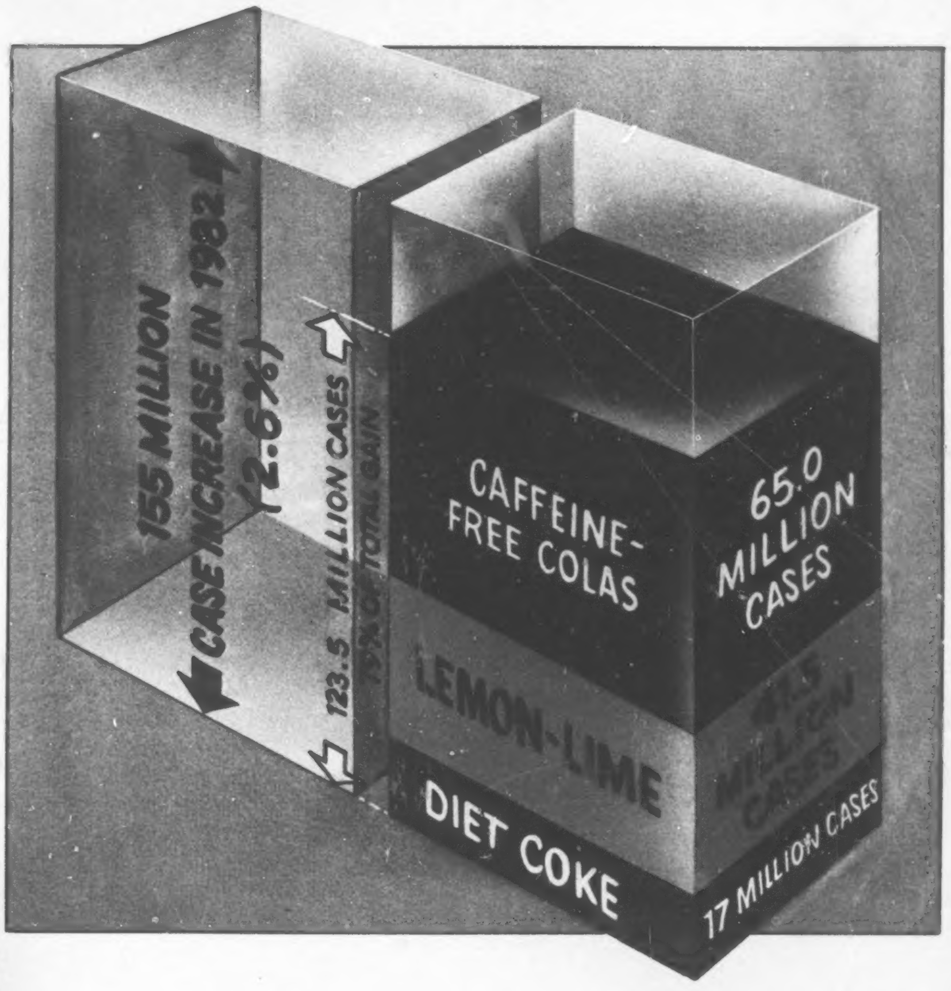

Diets, no-caffeines lead industry growth

By Gary A. Hemphill

EXCLUSIVE—Diet and caffeine-free brands led the soft drink industry in 1982, and were mostly responsible for the small growth the industry had.

Overall, lemon-lime consumption was up slightly in market share, along with orange and the "all others" category. Colas, root beer and pepper-type drinks were down in share, largely because of the caffeine issue.

Sales were up only 2.6% industrywide last year, just shy of 1981's 2.7% increase, according to John Maxwell, **BI**'s director of research statistics.

Still, per capita consumption reached an all-time high at 40.1 gallons and some brands posted exceptional years, particularly the diet and caffeine-free brands.

For instance, while Royal Crown's sales volume increased a very respectable 6.8% its RC 100 (regular and sugar-free) jumped a spectacular 145%.

Seven-Up had a remarkable year thanks to its "never had it, never will" no — caffeine advertising campaign. It boosted sales 12.2%, according to Maxwell, and replaced Dr Pepper as third most popular soft drink in the country.

Sunkist, which cracked the top 10 in 1981, continued its success story with an 18.4% boost. Diet Sunkist jumped 100%.

While root beer continued its overall decline in popularity, Barq's, A&W and Hires had good years.

Other companies posting good years included Shasta Beverages, Cadbury Schweppes USA, Crush International, Squirt Co. and Faygo.

There was only one change in the top 10 most popular soft drinks: Seven-Up and Dr

(Continued on page 13)

BI Package of the Week

Carrier-Pak is designed to boost drive-thru sales

PURCHASE, NY—Pepsi is test marketing a four-cup paperboard Carrier-Pak to increase drive-thru soft drink sales at fast food outlets.

"There's no doubt this will increase sales," said David Stone, vp-marketing of food service. "Just how much we don't know yet."

The development is part of Pepsi's goal to increase fountain sales in 1983. (**See story, page 1.**)

The carrier with handle can hold four drinks in sizes up to 32-ozs. and opens up a myriad of merchandising possibilities for the retail outlet. The measurements of the package are 6¼ in. × 6½ in. × 8⅛ in.

Pepsi is hopeful this will halt the decline of soft drinks sold at drive-thru windows. Stone said the number of soft drinks sold per 100 sand-

(Continued on page 39)

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STATISTICAL REF INDEX
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WASHINGTON DC 20014 UCY

BI Week

•John Sculley has resigned as president of Pepsi-Cola USA and will become the new president of Apple Computers. Sculley's deal, reportedly valued at $7 million, includes a 5-year contract and $2 million signing bonus. Roger Enrico will replace Sculley.

• A&W Root Beer set to launch new television ads for both Sugar Free A&W and the regular version. New diet flight positions

(Continued on page 47)

Monsanto files petition for AN approval

WASHINGTON, DC—Taking its cue from the Food and Drug Administration (FDA), Monsanto has filed a new food additive petition seeking clearance for acrylonitrile (AN) beverage containers under the agency's proposed constituents policy.

The use of the new food additive has already been a bone of contention between the manufacturer and the FDA, with Monsanto arguing that since AN does not migrate at significant levels, it should not be considered a food additive.

FDA has established .17 parts per billion (ppb) to be a safe AN migration level

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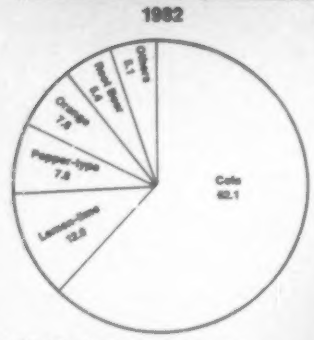

Soft drink industry boosted by diet soda

Diet and caffeine-free brands led the soft drink industry in 1982, and were primarily responsible for what little growth the industry had.

In **BI's** annual report on the soft drink industry's gains and losses of the previous year, issues discussed include the caffeine-free marketing boom, the decline in cola, root beer and pepper consumption, and the move Seven-Up has made in the top ten soft drinks, from fourth place into third place, replacing Dr. Pepper.

The most interesting trend, however, seems to be that most of the non-cola drinks have gained shares, and there is some thought consumers are looking for new taste sensations, according to John Maxwell, **BI's** director of research and statistics. See **page 1.**

New Pepsi ad push kicks off in Honolulu

The Pepsi-Cola Bottlers Association (PCBA) recently held its 36th national meeting in Honolulu, HI, and decided it would attempt to consolidate its take-home market gains of recent years and aggressively try to put a dent in Coke's lead in almost all areas of the market.

The new advertising theme for brand Pepsi-Cola is "Pepsi Now!", a campaign combining the "hard" sell of the Pepsi challenge and the "heart" sell of the Pepsi generation themes. Backed by $40 million worth of TV advertising, the "Pepsi Now" campaign marks the 20th anniversary of Pepsi generation advertising. See **page 1.**

Hawaiian Punch hits soft drink market

Del Monte Corp., San Francisco, which produces Hawaiian Punch, has unveiled new advertising aimed at young adults rather than children, as in past years.

The company hopes the snappy campaign based around the theme "Sail Away" will attract young adults to buying the product, now positioned as a soft drink.

Hawaiian Punch comes in a variety of new packaging, including 16 oz. NR bottles, 12 oz. cans and 2-L PET. For more information on Hawaiian Punch's new marketing strategy, see **page 4.**

Green Spot aseptic drink plant opened

Green Spot Packaging, Inc., located in Claremont, CA, was incorporated in October 1981 to produce Green Spot fruit drinks in aseptic containers for the southwestern US consumer.

Using Brik Pak and/or Tetra Pak fillers, production began of Green Spot drinks in aseptic packages about two years ago by some of their franchisees in the Far East.

Ground was broken on 5½ acres of land in January 1982 for the 60,000 sq. ft. Green Spot packaging plant and offices, which were completed in September 1982. Production began in December and the first shipments were made in January this year. See **page 28.**

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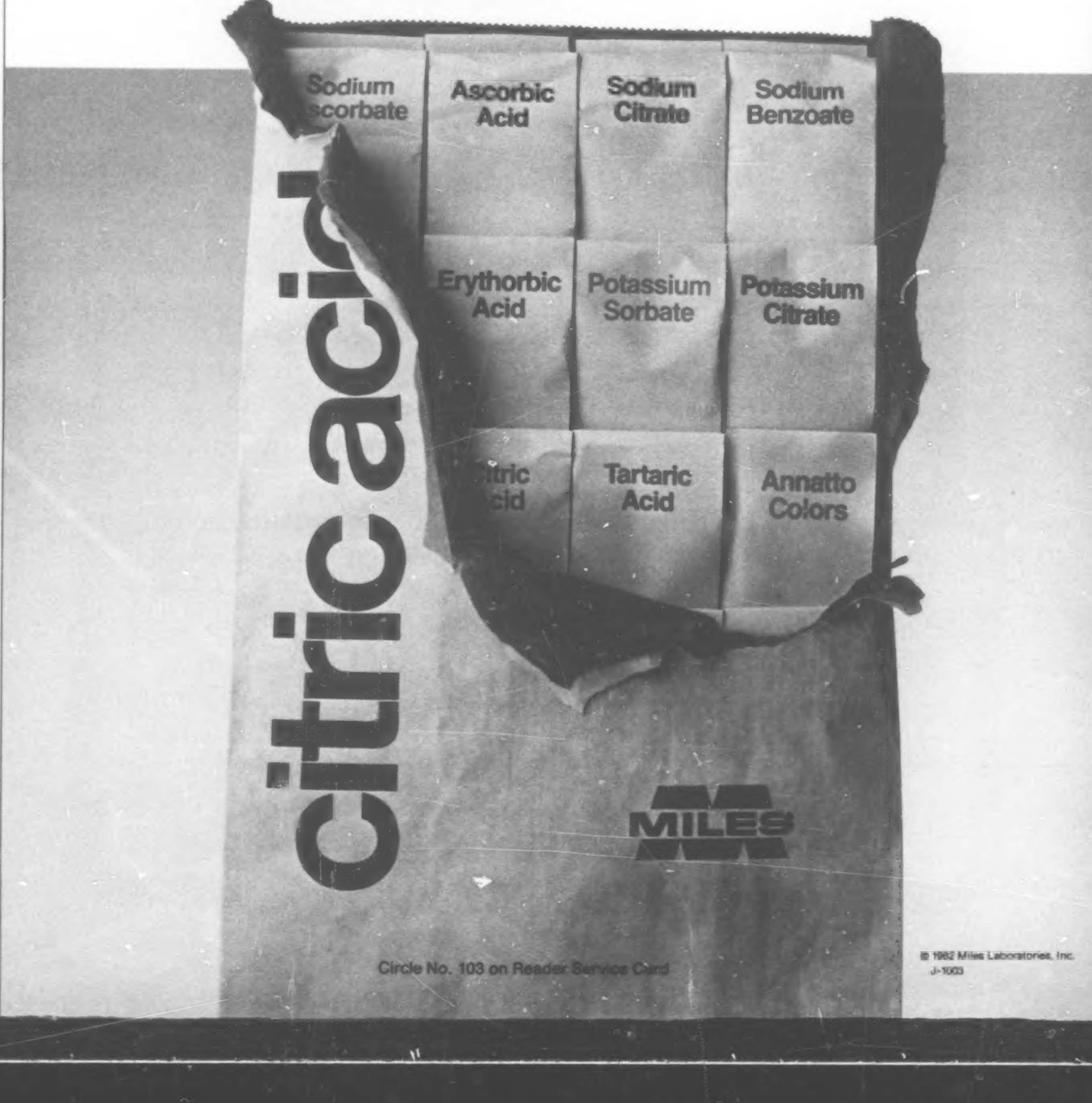

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Soft drinks

(Continued from page 1)

Pepper switched positions. Coke remains first, followed by Pepsi, Seven-Up, Dr Pepper, Tab, Sprite, Diet Pepsi, Mountain Dew, Royal Crown Cola and Sunkist.

Maxwell's 1982 figures don't seem to reveal any startling trends, but there are some that deserve mentioning.

cola decrease

Maxwell suggests that the increase in market share for lemon-lime, orange and "all others" and the decrease for the colas could signify the beginning of a trend.

"Most of the non-cola drinks seem to have gained share, and there is some thought people are looking for new taste sensations, which may be at least partially true," he said in his report.

Others believe that a more plausible reason is the success story of individual brands that are increasing the market share of categories like lemon-lime.

"If you believe the market reports, colas have had more than 60% of the market for years. You don't think people are going to all of the sudden change their tastes," one industry source said.

"Fifty years ago chocolate and vanilla ice cream had 75% of that market and the same will be true 100 years from now. Some things just don't change," he added.

Other figures in the lemon-lime category add credence to that. While Coke's Sprite jumped 11%, Pepsi's Teem was off 28.6% and Dad's Bubble Up was slightly off with a 1.6% drop.

diet drinks

Diet and caffeine-free drinks should continue to hold an important place in the market, according to Maxwell.

"The diet area ... is approaching 15% of the overall soft drink market. In fact, if it had not been for the diet and caffeine-free colas, the cola section of the industry would have dropped even more share in 1982," Maxwell said. The cola segment dropped .5% in share last year and the diet segment of the market jumped 8.8%.

Even more caffeine-free drinks are expected to hit the market, like the one introduced by Dr Pepper.

"We feel that this will be a great growth area for the industry in 1983 and beyond. And products will increasingly annotate on their labels phrases like 'never had it, never will,' " Maxwell said.

Maxwell suggests that caffeine is probably the major factor in the loss of share by pepper-type drinks. Regular

Consumption of soft drinks, by company

1978		1979		1980		1981			1982		
Mil. Cases	Pct. Market	Mil. Cases	Pct. Market	Mil. Cases	Pct. Market	Mil. Cases	Pct. Market		Mil. Cases	Pct. Market	1981-82 Change
								Coca Cola Co.			
1,335.0	24.3%	1,365.0	23.9%	1,425.0	24.3	1,463.0	24.2%	**Coca-Cola**	1,478.0	23.9%	1.0%
158.0	2.9	165.0	2.9	171.0	2.9	178.0	2.9	**Sprite**	197.5	3.2	11.0
149.0	2.7	170.0	3.0	188.0	3.2	216.0	3.6	**Tab**	237.0	3.8	9.7
112.0	2.0	107.0	1.9	98.0	1.7	88.0	1.5	**Fanta**	80.0	1.3	(9.1)
46.0	0.8	43.0	0.8	39.0	0.7	34.0	0.6	**Mr. Pibb**	29.5	0.5	(13.2)
27.0	0.5	25.0	0.4	26.0	0.4	24.0	0.4	**Fresca**	19.2	0.3	(20.0)
—	—	38.0	0.7	50.0	0.8	53.0	0.9	**Mello Yello**	50.0	0.8	(5.7)
—	—	—	—	—	—	—	—	**Diet Coke**	17.0	0.3	—
19.0	0.4	23.0	0.4	25.0	0.4	26.0	0.4	**Others**	26.0	0.4	—
1,846.0	33.6	1,936.0	34.0	2,022.0	34.4	2,082.0	34.5	**Total**	2,134.2	34.5	2.5
								PepsiCo, Inc.			
969.0	17.6	1,022.0	17.9	1.056.0	17.9	1,104.0	18.3	**Pepsi-Cola**	1,120.0	18.1	1.4
130.0	2.4	156.0	2.8	169.0	2.9	179.0	3.0	**Mountain Dew**	175.0	2.8	(2.2)
127.0	2.3	142.0	2.5	154.0	2.6	173.0	2.9	**Diet Pepsi**	180.0	2.9	4.0
22.0	0.4	24.0	0.4	24.0	0.4	29.0	0.5	**Pepsi Light**	30.0	0.5	3.4
14.0	0.3	15.0	0.3	15.0	0.3	14.0	0.2	**Teem**	10.0	0.2	(28.6)
—	—	—	—	—	—	—	—	**Pepsi Free and Sugar Free Pepsi Free**	20.0	0.3	—
19.0	0.3	18.0	0.3	17.0	0.3	16.0	0.2	**Others**	15.0	0.2	(6.3)
1,281.0	23.3	1,377.0	24.2	1,435.0	24.4	1,515.0	25.1	**Total**	1,550.0	25.0	2.3
								Dr. Pepper Co.			
299.5	5.4	311.5	5.5	323.0	5.5	326.0	5.4	**Dr Pepper**	315.4	5.1	(3.3)
60.5	1.1	62.9	1.1	69.1	1.2	79.5	1.3	**Sugar Free Dr Pepper**	81.5	1.3	2.5
360.0	6.5	374.4	6.6	392.1	6.7	405.5	6.7	**Total**	396.9	6.4	(2.1)
								Canada Dry Corp.			
55.0	1.0	56.7	0.9	60.2	1.0	63.2	1.1	**Ginger Ale**	68.0	1.1	7.6
25.0	0.5	26.5	0.5	26.8	0.4	28.0	0.5	**Tonic, Bitter Lemon**	29.1	0.5	3.9
18.0	0.3	20.7	0.4	27.0	0.5	33.0	0.5	**Club Soda**	36.5	0.6	10.6
15.0	0.3	15.5	0.3	15.3	0.3	14.3	0.2	**Barrelhead**	13.0	0.2	(9.1)
5.5	0.1	5.0	0.1	4.0	0.2	4.2	0.1	**Wink**	3.4	0.1	(19.0)
40.0	0.7	38.0	0.7	31.0	0.5	25.0	0.4	**Others**	21.0	0.3	(16.0)
158.5	2.9	162.4	2.9	164.3	2.8	167.7	2.8	**Total**	171.0	2.8	2.0
60.0	1.1	57.0	1.0	54.5	0.9	44.0	0.7	**Cott Corp.**	38.5	0.6	(12.5)
31.0	0.6	31.0	0.5	30.0	0.5	31.6	0.5	**Welch's**	31.7	0.5	0.3
22.4	0.4	22.4	0.4	21.0	0.4	20.0	0.3	**No-Cal**	19.4	0.3	(3.0)
631.9	11.5	647.2	11.4	661.9	11.3	668.8	11.0	**Grand Total**	657.5	10.6	(1.7)
								Seven-Up Co.*			
322.0	5.9	320.0	5.6	317.0	5.4	301.0	5.0	**7-Up**	325.0	5.2	8.0
63.0	1.1	63.6	1.1	64.0	1.1	70.0	1.2	**Diet 7-Up**	79.0	1.3	12.9
—	—	—	—	—	—	—	—	**LIKE**	16.0	0.3	—
10.2	0.2	10.0	0.2	9.0	0.2	8.0	0.1	**Dixie Cola**	6.0	0.1	(25.0)
1.0	—	1.0	—	1.0	—	1.0	—	**Howdy Flavors**	0.5	—	(50.0)
396.2	7.2	394.6	6.9	391.0	6.7	380.0	6.3	**Total**	426.5	6.9	12.2%
								Consolidated Chocolate Co.			
2.4	—	2.6	0.1	2.7	0.1	2.8	0.1	**Chocolate Soldier**	3.0	0.1	7.1
1.3	—	1.4	—	1.4	—	1.4	—	**Brownie**	1.4	—	—
1.8	—	1.9	—	2.0	—	2.0	—	**Choc-ola**	2.0	—	—
4.5	0.1	4.7	0.1	4.9	0.1	5.0	0.1	**Other**	5.4	0.1	8.0
10.0	0.2	10.6	0.2	11.0	0.2	11.2	0.2	**Total**	11.8	0.2	5.4
96.9	1.7	110.6	1.9	110.3	1.9	109.2	1.8	**Grand Total**	108.1	1.8	(1.0)
43.0	0.8	55.8	1.0	64.8	1.1	72.0	1.2	**Cadbury Schweppes USA, Inc.**	81.5	1.3	13.2
								Crush International			
51.3	0.9	54.8	1.0	56.8	1.0	59.1	1.0	**Hires, Crush, etc.**	65.0	1.1	10.0
7.9	0.2	8.2	0.1	8.5	0.1	8.7	0.1	**Sun Drop**	9.5	0.1	9.2
59.2	1.1	63.0	1.1	65.3	1.1	67.8	1.1	**Total**	74.5	1.2	9.9
40.0	0.7	47.6	0.8	53.8	0.9	64.0	1.1	**Squirt Co.**	70.5	1.1	10.2
								A & W Beverages			
32.3	0.6	37.5	0.7	40.0	0.7	41.1	0.7	**A & W**	42.6	0.7	3.6
13.9	0.2	16.5	0.2	18.0	0.3	19.9	0.3	**Sugar Free A & W**	21.9	0.3	10.1
46.2	0.8	54.0	0.9	58.0	1.0	61.0	1.0	**Total**	64.5	1.0	5.7
								Dad's Root Beer Company			
34.0	0.6	33.5	0.6	34.1	0.6	34.0	0.6	**Dad's Root Beer**	32.6	0.5	(4.1)
17.0	0.3	16.0	0.3	15.6	0.3	18.5	0.3	**Bubble Up**	18.2	0.3	(1.6)
7.0	0.1	6.5	0.1	6.7	0.1	6.8	0.1	**Diet Dad's**	6.9	0.1	1.5
58.0	1.0	56.0	1.0	56.4	1.0	59.3	1.0	**Total**	57.7	0.9	(2.7)°

*Subsidiary of Philip Morris, Inc.

#Division of Consolidated Foods Corp. Total for 1982 includes C&C Cola volume for nine months.

°Subsidiary of United Brands Co.

(Continued on page 14)

Consumption of soft drinks, by company

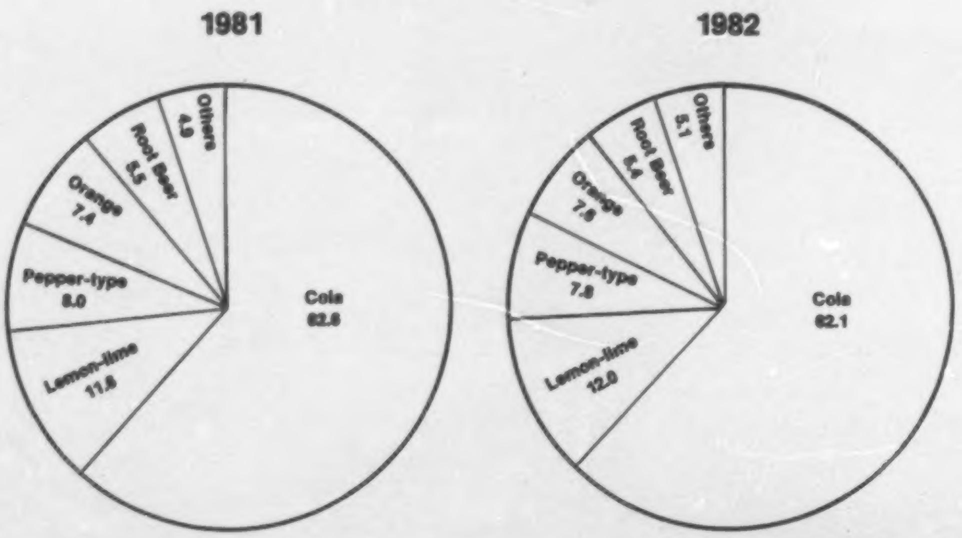
(Continued from page 13)

1978		1979		1980		1981			1982		
Mil. Cases	Pct. Market	Mil. Cases	Pct. Market	Mil. Cases	Pct. Market	Mil. Cases	Pct. Market		Mil. Cases	Pct. Market	1981-82 Change
35.8	0.7	39.1	0.7	39.9	0.7	39.0	0.7	Double Cola Co.	40.0	0.6%	2.0
26.1	0.5	23.9	0.4	22.1	0.4	25.2	0.4	Faygo	29.8	0.5	18.0
29.0	0.6	29.0	0.5	29.5	0.5	29.5	0.5	Frank's Beverages	28.0	0.5	(5.0)
7.9	0.1	11.6	0.2	13.9	0.2	16.9	0.3	Barq's	19.1	0.3	13.0
12.5	0.2	12.5	0.2	12.8	0.2	13.5	0.2	Cragmont (Safeway)	13.8	0.2	2.7
12.0	0.2	11.0	0.2	10.5	0.2	11.0	0.2	Check (Winn-Dixie)	12.0	0.2	9.0
9.3	0.2	9.9	0.2	10.2	0.2	11.0	0.2	Big K (Kroger)	11.5	0.2	4.5
8.5	0.1	8.0	0.1	8.0	0.1	7.2	0.1	Cotton Club	6.8	0.1	(5.0)
NA	—	2.6	0.1	2.9	—	3.1	0.1	Yukon (A&P)	3.5	0.1	12.5
5,012.7	91.1	5,274.4	92.5	5,504.8	93.7	5,691.5	94.3	Total	5,900.5	95.3	3.7
								Royal Crown Co.			
164.0	3.0%	159.0	2.8%	166.5	2.9%	149.0	2.5%	Royal Crown	144.0	2.3	(3.4)
—	—	—	—	—	—	20.0	0.3	RC 100 (Regular & Sugar Free)	49.0	0.8	145.0
40.2	0.7	38.0	0.7	37.0	0.6	37.0	0.6	Diet Rite Cola	35.0	0.6	(5.4)
53.5	1.0	53.0	0.9	50.0	0.8	43.0	0.7	Nehi and Others	38.0	0.6	(11.6)
257.7	4.7	250.0	4.4	253.5	4.3	249.0	4.1	Total	266.0	4.3	6.8
106.5	1.9	100.0	1.7	105.0	1.8	109.0	1.8	Shasta Beverages	129.0	2.1	18.3
								Sunkist			
9.0	0.2	35.0	0.6	76.0	1.3	88.0	1.5	Sunkist	96.0	1.6	9.1
—	—	—	—	2.0	—	10.0	0.1	Diet Sunkist	20.0	0.3	100.0
9.0	0.2	35.0	0.6	78.0	1.3	98.0	1.6	Total	116.0	1.9	18.4
								Maxie Inc.			
								Monarch Co.			
23.2	0.4	19.0	0.3	18.0	0.3	17.0	0.3	Nesbitts	17.3	0.3	1.8
NA	—	15.0	0.3	16.0	0.3	17.0	0.3	Frostie Root Beer	16.8	0.3	(1.2)
15.1	0.3	14.3	0.2	14.4	0.2	14.4	0.2	NuGrape	15.0	0.3	4.2
9.3	0.2	8.9	0.2	8.5	0.2	8.4	0.1	Sun Crest	8.3	0.2	(1.2)
2.2	—	2.2	—	2.2	—	2.2	—	Maxie	2.3	—	4.5
1.0	—	0.7	—	NA	—	NA	—	Kickapoo	NA	—	—
4.3	0.1	3.9	0.1	3.5	0.1	3.0	0.1	Mason's Root Beer	2.5	—	(16.7)
2.5	—	2.1	—	1.9	—	0.7	—	Flavette	NA	—	—
2.4	—	2.0	—	1.8	—	1.3	—	Dr. Wells	1.1	—	(15.4)
26.9	0.5	31.9	0.6	33.0	0.6	34.0	0.6	Other	33.0	0.5	(2.9)
86.9	1.5	100.0	1.7	99.3	1.7	98.0	1.6	Total	96.3	1.6	(1.7)
487.3	8.9	425.6	7.5	370.2	6.3	343.5	5.7	Others	289.5	4.7	(15.7)
5,500.0	100.0%	5,700.0	100.0%	5,875.0	100.0%	6,035.0	100.0	Grand Total	6,190.0	100.0%	2.6

Source: Lehman Brothers Kuhn Loeb Research

Copyright: John C. Maxwell, Beverage Industry
April 22, 1983

Estimated market share of soft drinks



Source: Lehman Brothers Kuhn Loeb Research

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April 22, 1983

Dr Pepper was off 3.3%; Coke's Mr. Pibb was down 13.2%.

caffeine free

How important are caffeine free soft drinks to the market and will they maintain their importance?

Seven-Up believes they will. "Seven-Up is advertised on the merits of good tastes and quality as well as no-caffeine," said Edward W. Frantel, president and chief executive officer.

"Good taste and quality will always be in vogue. As for caffeine, we have seen over the past few years that consumers are more and more concerned about ingredients such as caffeine.

"As long as that interest and concern continues, and there is no indication that it will not continue, then consumers will most probably be interested and aware that Seven-Up does not contain caffeine," he added.

But others aren't so sure. "This will be the peak caffeine-free year," one industry source said. "But after that it's hard to speculate. Who knows what '84, '85 or '86 will hold. I think it will die if Coke doesn't get into it. They're such a major force in the industry," he added.

While caffeine-free and diet drinks are being credited for the industry's growth, some believe they could be detrimental in the long run.

"Caffeine-free soft drinks get people worried about the contents of soft drinks. Before, people never really thought about their contents. Soft drinks have always had a clean, safe image, but this gets people wondering about them," said one source.

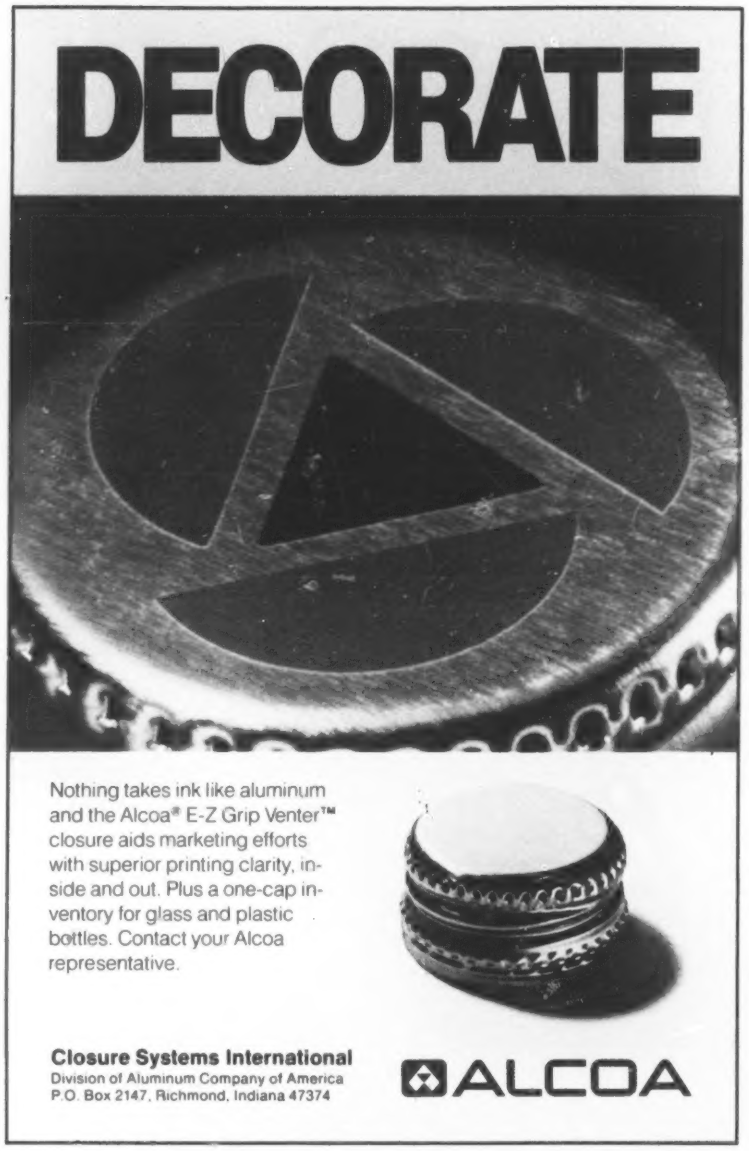
Seven-Up refutes this though. "I see no reason to believe that the industry has been hurt in any way," said Frantel.

"If anything, our advertising has shown that we are concerned with consumers' interests. I don't believe that could be bad for the industry. The industry itself has continued to grow, so obviously it is not bad for the industry. If it's so bad for the industry, then why has the entire industry, after such self-righteous outcries, followed us with no-caffeine brands of their own? Seems like it has helped the industry," he added.

On the other hand, diet drinks may pose a different problem.

"People don't consume diet drinks in mass quantities like they consume regular soft drinks," said one source.

"If they grab enough of the market they could have a negative effect on the industry. The trend toward diet soft drinks might represent more than weight consciousness. It could represent a



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trend toward moderation," he added.

In what turned out to be a disappointing year overall for the industry, some companies have been able to boast about double-digit volume increases.

"Seven-Up gained in popularity because it was aware that consumers were becoming more interested in caffeine . . . ," said Frantel. According to Maxwell, Seven-Up had a 12.2% volume gain for the year.

H. Alton LeBeau, Jr., president of Cadbury Schweppes USA, said his brands jumped 13.2% in 1982 because Schweppes has been working with bottlers on an effective marketing program and because more consumers are considering the high quality of Schweppes a better value.

"It was a combination of things for us," said Lou Lowenkron, president of A&W, whose sugar-free root beer posted a 10.1% increase.

Lowenkron said expansion into previously untapped markets, conversions from brokers to bottlers and a large advertising budget were the major factors in its success.

James Fletcher, senior vp-marketing and sales for Shasta, said an increase in distribution of brand sales in 2-L PET and the hiring of a new ad agency were the major reasons for its 18.3% jump.

But, in addition, Shasta purchased C&C Cola from ITT and expanded distribution of its Capri Sun fruit drink, which helped sales. In fact, Capri Sun went national in January.

Don Tassone, spokesman for Procter & Gamble, which owns Crush International, said an increased advertising budget, reformulated flavors and new packaging were keys to its success.

Crush reformulated its Hires Root Beer to make it creamier and better tasting and is test marketing a reformulated orange Crush flavor.

Although he wouldn't give details, Tassone said Crush has also "enhanced promotions to make them more attractive."

The result is that Crush International saw its sales volume increase 9.9% last year.

"We're helping bottlers find answers to their number one problem—keeping prices down," said J.W. Brooks, president of Squirt, which had a 10.2% gain in 1982.

"We're trying to manage a franchise company with a

The Winners

Sunkist	Up 18.4%
Shasta	Up 18.3%
Faygo	Up 18.3%
Schweppes	Up 13.2%
Barq's	Up 13.0%
Yukon (A&P)	Up 12.9%
Seven-Up	Up 12.2%
Squirt Co.	Up 10.2%
Crush International ...	Up 9.9%
Check (Winn-Dixie) ...	Up 9.1%
Royal Crown	Up 6.8%
A&W	Up 5.7%
Big K (Kroger)	Up 4.5%

Estimated market share by type*

1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981		1982
63.0%	63.0%	63.0%	62.5%	61.7%	62.1%	62.2%	62.4%	62.3%	62.3%	62.4%	62.6%	**Cola**	62.1%
12.0	12.0	12.0	12.5	12.8	12.9	12.7	12.4	12.3	12.1	11.8	11.6	**Lemon-Lime**	12.0
3.9	3.9	4.6	5.0	5.2	5.3	6.7	7.3	7.7	7.9	8.0	8.0	**Pepper Type**	7.8
8.3	8.4	8.4	8.2	8.0	7.9	7.8	7.4	7.4	7.3	7.4	7.4	**Orange**	7.6
4.5	5.0	5.0	5.0	5.2	5.2	5.2	5.3	5.4	5.5	5.5	5.5	**Root Beer**	5.4
8.4	7.7	7.0	6.8	7.1	6.6	5.4	5.2	4.9	4.9	4.9	4.9	**All Others**	5.1
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	**Total**	100.0%

*Includes diet drinks.

Source: Lehman Brothers Kuhn Loeb Research

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April 22, 1983

Top ten drinks

1979			1980			1981				1982		
Mil. Cases	Pct. Market	Pct. Change	Mil. Cases	Pct. Market	Pct. Change	Mil. Cases	Pct. Market	Pct. Change		Mil. Cases	Pct. Market	Pct. Change
1,365.0	23.9	2.2%	1,425.0	24.3	4.4%	1,463.0	24.2	2.7%	**Coca-Cola**	1,478.0	23.9	1.0%
1,022.0	17.9	5.5	1,056.0	17.9	3.3	1,104.0	18.3	4.5	**Pepsi-Cola**	1,120.0	18.1	1.4
320.0	5.6	(0.6)	317.0	5.4	(0.9)	301.0	5.0	(5.0)	**Seven-Up**	325.0	5.2	8.0
311.5	5.5	4.0	323.0	5.5	3.7	326.0	5.4	0.9	**Dr Pepper**	315.4	5.1	(3.3)
170.0	3.0	14.1	188.0	3.2	10.6	216.0	3.6	14.9	**Tab**	237.0	3.8	9.7
165.0	2.9	4.4	171.0	2.9	3.6	178.0	2.9	4.1	**Sprite**	197.5	3.2	11.0
142.0	2.5	11.8	154.0	2.6	8.5	173.0	2.9	12.3	**Diet Pepsi**	180.0	2.9	4.0
156.0	2.8	20.0	169.0	2.9	8.3	179.0	3.0	5.9	**Mountain Dew**	175.0	2.8	(2.2)
159.0	2.8	(3.0)	166.5	2.9	4.7	149.0	2.5	(10.5)	**Royal Crown Cola**	144.0	2.3	(3.4)
35.0	0.6	288.9	76.0	1.3	117.1	88.0	1.5	15.8	**Sunkist**	96.0	1.6	9.1
3,845.1	67.5	5.0%	4,045.5	68.9	5.2%	4,177.0	69.3	3.3%	**Total**	4,267.9	68.9	2.2%

Source: Lehman Brothers Kuhn Loeb Research

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April 22, 1983

Per capita consumption of soft drinks

	Million cases consumed	Gallons per capita
1982	6,190.0	40.1
1981	6,035.0	39.5
1980	5,875.0	38.8
1979	5,700.0	38.1
1978	5,500.0	37.1
1977	5,260.0	35.9
1976	4,890.0	33.7
1975	4,460.0	31.0
1974	4,460.0	31.4
1973	4,440.0	31.5
1972	4,200.0	30.1
1971	3,950.0	28.6
1970	3,675.0	27.0
1969	3,475.0	25.9

bottler's hat on," Brooks added. "We're trying to understand the bottler's total needs."

He added that diet Squirt's taste is better than most diet drinks and this has won it acceptance in the market place.

But while there were some success stories, growth for the industry overall was only 2.6%. In addition, most don't anticipate much better this year.

"In 1983, we again look for modest growth in the industry, probably in line with the 2.6% increase of 1982," Maxwell speculated. "We point to the fact that for the first time during the 20-odd years that we've been tabulating per capita consumption of beverages, imputed water jumped meaningfully last year. We believe that this relates to the difficult economic situation that has faced the nation . . . We may need to see the economy turn for at least a quarter or two before colored beverages in general and soft drinks in particular can show better forward momentum," said Maxwell.

Lowenkron blamed bad weather, a poor economy and high unemployment for the disappointing year.

Another source suggested the industry may be maturing, adding, "Few will speculate that the next year will be a great one. That's just a safe attitude to take."

Monsanto

(Continued from page 1)

based on total daily dietary intakes. And last summer, the agency indicated that "if AN migration is less than .17 ppb from beverage bottle use of AN copolymers it is likely that such use could be authorized in a food additive regulation."

FDA stressed that while it might regard .17 ppb as a safe level, it still felt that due to cumulative exposure from either AN food contact sources, the substance "needs to be subject to the food additive regulatory process."

Monsanto has never considered AN to be a food additive. But it is playing by FDA's rules, having submitted a food additive petition if that's what it takes to finally get the substance approved.

Its petition is the latest in a long series of correspondence with the agency during the past 10 years over the safety of AN. Data Monsanto has submitted since 1972, including the newest testing information on its beverage bottle as well as answers to questions FDA recently posed on the substance, is included in the new petition.

Monsanto is fairly confident that it should win approval this time around since FDA has already indicated that Monsanto has used reliable test methods for determining that there was no AN migration at .16 ppb, which is below FDA's safety threshold.

But time will tell whether the information provided is enough to get AN on the market or the agency still seeks more marketing data before reaching a final decision.

In the meantime, the Society of the Plastic Industry (SPI) is trying to develop a survey form for gathering marketing data on polyvinyl chloride (PVC) in response to an FDA request last fall.

The agency has asked the plastics industry for help in estimating dose levels for PVC and AN in the diet so it can perform risk assessments under the constituents policy.

Since there are more PVC than AN producers, SPI maintains it will be easier to obtain aggregate data on PVC shortly. Once it develops a survey form, it will then seek clearance from FDA before it actually conducts the marketing survey. "It will take a while" before the task is completed, an SPI spokesman told **BI**.

Asahi Brewery producing Lowenbrau

TOYKO, JAPAN—Asahi Brewery Co., Ltd., has announced licensed production of the West German beer, Lowenbrau.

The beer was imported by Mitsubishi Trading Co. exclusively since 1977 before the contract expired in 1982.

Lowenbrau will be produced at Asahi's Suita plant near Osaka and distributed to Tokyo and Osaka. The company is aiming for 1 million case sales in 1983.

Budweiser, imported and sold by Suntory Brewery, has attained one million case sales in 1982, followed by Heineken with 0.5 million case sales.

Guinness, imported by Sapporo Brewery, will also be produced locally in the future under license.

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1980
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1982
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Beverage Industry

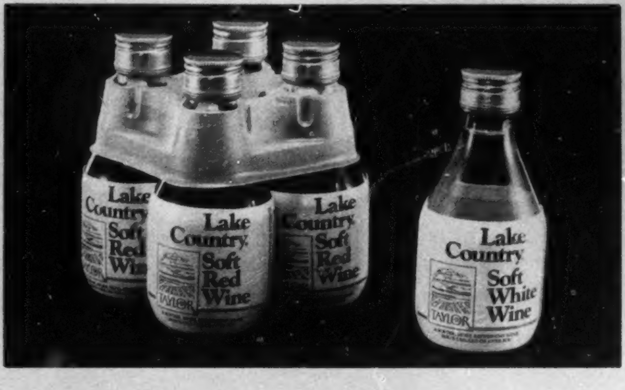
MARKETING ☐ DISTRIBUTION ☐ TECHNOLOGY AN HBJ PUBLICATION

Taylor wines now in Contour Paks

HAMMONDSPORT, NY—The Taylor Wine Co., Inc. has introduced its Taylor Lake Country Soft wines in single service Plasti Shield bottles. The only wine currently known to be marketed in this type of package, the bottles are sold in groups of four in a Contour Pak carrier. The bottles, foam labels, carriers and closures were all developed by Owens-Illinois, Inc.

The Taylor red, soft white and soft pink, which debuted last summer in the 750 ml and 1.5 liter sizes, were developed to compete with Italian Lambruscos, one of the fastest growing wine categories in America today. Sales figures based on the first few months of availability indicate the beverage is doing well. Plans call for an expanded rollcut beginning in April in several key markets on the East Coast.

• For more information on **Taylor Wine Co.** circle no. 191 on reader service card; for more information on **Contour-Pak** circle no. 192 on reader service card.



Pepsi's food division sponsoring NRA awards

PURCHASE, NY—The food service division of Pepsi-Cola Co., located here, recently announced its sponsorship of the industry-wide Most Valuable Promotion Awards for the National Restaurant Association. The program is designed to recognize sales promotion excellence in the food service industry.

Now in its tenth year, the MVP competition is open to all food service operators, with any promotion ran in 1982 being submitted for judging.

A panel of independent judges appointed by the NRA will select up to three winners in each size category — 30 or fewer units, 31 to 100 units and more than 110 units. A grand MVP winner will be chosen from among category winners, Pepsi says, with awards being presented in May at the 64th Annual NRA Restaurant-Hotel/Motel Show in Chicago.

Criteria for judging the competition is originality and creativity of idea, quality of execution and achievement of pre-established, measurable objectives, Pepsi says. Participants submit detailed descriptions of their promotions, along with support materials used, such as point-of-purchase material, TV and radio commercials, premium samples, posters and photographs.

"Through the MVP program we're trying to stimulate the industry in the area of consumer promotion and recognize outstanding results," said Edwin Mellett, president of Pepsi's food service division.

HAWAIIAN PUNCH

Hawaiian Punch positioned as mainstream soft drink

SAN FRANCISCO — When Del Monte Corp. unveiled new advertising for its Hawaiian Punch brand in late 1982, the upbeat television campaign unmistakably positioned the brand as a mainstream soft drink.

After replacing Donny and Marie Osmond, who had represented the brand for three years, Del Monte opted for the snappier campaign based around the theme of "Sail Away." In the ads, attractive young adults windsurf, swim and frolic in the sun while sipping Hawaiian Punch.

Del Monte feels the lifestyle and refreshment emphasis in the new campaign reflect the company's growing presence in the beverage industry, says Mark Gutsche, a company spokesman. While Hawaiian Punch in 46 oz. cans, powdered drink mixes and other dry grocery packaging is a huge business for Del Monte, Gutsche explained, the company subsequently believes the brand's potential lies equally with soft drink packaging and distribution.

"Hawaiian Punch is in a unique position," says Stephen G. Rothschild, vice president of dry grocery and beverage marketing. "On the one hand, the brand is one of the grocer's most popular beverages. While, on the other hand, it is enjoying remarkable growth through the efforts of our bottler network."

And with Del Monte repositioning Hawaiian Punch through heavy advertising as a refreshment beverage for young adults, the soft drink side of the business should benefit, Rothschild added.

Today, Hawaiian Punch is produced or distributed by 403 bottlers. That network places the brand among the top five as far as number of bottlers, Gutsche says.

The network also gives Hawaiian Punch in soft drink packaging brand representation to more than 95% of the US population, according to Rothschild.

The company feels such distribution for a brand most

(Continued on page 38)

U.S. hot beverage market experiencing resurgence

By Holly Klokis

SPECIAL REPORT—The U.S. hot beverage market, after experiencing sluggish growth for nearly 30 years, seems to be on the road to recovery.

The increase of white collar workers, the age distribution of the population, decaffeinated coffee brands and new advertising techniques are helping to change the image

(Continued on page 6)

Trends in manufacturers' sales of hot beverages by type
(Dollars in Millions)

	Total hot beverages	Coffee	Tea	Powdered cocoa*	Total annual % change
1972	$ 2,590.7	$ 2,163.4	$ 340.8	$ 86.5	—
1973	2,887.4	2,405.3	380.9	101.2	11.5%
1974	2,998.1	2,440.4	415.7	142.0	3.8
1975	3,428.8	2,806.0	430.5	192.3	14.4
1976	4,903.6	4,275.1	441.0	187.5	43.0
1977	6,136.5	5,217.8	700.6	218.1	25.1
1978	6,505.1	5,485.5	752.0	267.6	6.0
1979	6,393.9	5,350.2	741.3	302.1	-1.7
1980	6,734.3	5,588.2	821.3	324.8	5.3
1981	6,244.2	5,040.1	886.4	317.7	-7.3
1982P	6,440.5	5,222.6	905.0	321.9	3.1
1992P	12,994.5	10,184.7	2,249.4	560.4	7.3**

*Sweetened or mixed with other substances
**Compound annual growth rate
P-Projections by BTA

Source: Business Trend Analysis; U.S. Dept. of Commerce

Copyright: Beverage Industry, April 22, 1983

Hot beverages

(Continued from page 4)

of hot beverages, leading to an increase in per capita consumption, according to a recently released report.

"The U.S. Hot Beverage Market," compiled by Business Trends Analysts, Inc., projects an upswing for hot beverages with modest growth of 7.3% throughout the coming decade, and industry sales at $12.9 billion by 1992.

coffee

Coffee, the largest segment of the hot beverage market at 81% of total sales in 1981, will probably fare better in the future, according to the report. Sales in pounds are expected to grow at a compounded annual growth rate of .7% through 1992, reaching 2,292.4 million lbs. by that year.

One factor expected to contribute to the increase is the aging of those born during the baby boom of the '50s and '60s. The median age of the U.S. population is now 30, within the range of the highest per capita coffee drinkers, which the report puts at 30-59 years.

Another factor is the new generation of coffee makers that make better tasting coffee quicker and more conveniently than perculators, drip pots, etc.

In addition, many reports and findings have been published recently that challenge and dispel notions that normal consumption of foods and beverages containing caffeine is harmful. And, while many people have switched to decaffeinated coffee, that too, came under attack recently because of the questionable safety of the chemicals used in the processing.

Rapid growth of tea bags—for hot and iced tea—will account for most of this growth.

Tea, now constituting 15% of hot beverage sales, is expected to grow to 17% by 1992, according to BTA. The popularity of iced tea, and the fact that it contains substantially less caffeine than coffee, has helped it maintain its level of consumption over the years.

As the population matures, the tea industry is expected to continue its relative pace of 3% in pounds and 9.5% in dollar sales per year, to a total of $2,249.4 million in 1992. By that year, tea bags will make up 46.6% of total tea sales as iced tea mixes and instant tea gain popularity. Sales of tea bags currently constitute 50% of total sales.

Instant iced tea mixes have been the most rapidly growing segment of the tea market for the past decade,

(Continued on page 24)

Consumption of coffee in the U.S. by age group winter 1950 to 1980
(Cups Per Person Per Day)

	1950	1965	1973	1974	1975	1976	1977	1978	1979	1980
Age Groups										
10-14	.21	.12	.09	.11	.10	.11	.07	.07	.09	.08
15-19	1.13	.77	.54	.46	.57	.42	.45	.43	.27	.29
20-24	2.34	2.42	1.65	1.35	1.38	1.15	1.36	1.37	1.10	1.17
25-29	2.78	3.35	2.44	2.70	2.23	2.03	1.89	2.00	1.66	1.77
30-39	3.02	4.01	3.28	3.02	2.94	2.76	2.62	2.91	2.91	2.72
40-49	2.98	4.16	3.75	3.68	3.79	3.44	3.49	3.20	3.56	3.18
50-59	2.85	3.54	3.44	3.49	3.21	3.34	3.22	3.25	3.36	3.28
60-69	2.22*	2.96	2.70	2.72	2.77	2.93	2.72	2.73	2.53	2.64
70 & over	NA	2.47	2.30	2.22	2.29	2.44	2.00	2.11	2.18	2.15
Sex:										
Male	2.49	2.91	2.35	2.25	2.29	2.19	2.12	2.09	2.16	2.14
Female	2.28	2.68	2.25	2.24	2.12	2.05	1.95	2.03	1.96	1.90

*Includes all persons 60 years of age and older

Source: Intl. Coffee Organization,
Winter Coffee Drinking Study 1981

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Manufacturers' sales of roasted coffee by type

(Dollars in Millions)

	Total roasted coffee	Roasted coffee (whole bean or ground)	Concentrated coffee	Roasted coffee, NSK	Total annual % change
1963	$1,602.7	$1,206.4	$ 396.3	—	—
1967	1,793.9	1,375.3	365.6	$ 53.0	2.9%*
1972	2,163.4	1,517.7	598.8	46.9	3.8*
1973	2,405.3	1,676.6	679.1	49.6	11.2
1974	2,440.4	1,752.3	672.5	15.6	1.5
1975	2,806.0	1,901.1	906.8	NA	15.0
1976	4,275.1	2,947.3	1,318.3	NA	52.4
1977	5,271.8	3,674.5	1,387.8	155.5	22.1
1978	5,485.5	3,825.0	1,525.5	NA	5.1
1979	5,350.5	3,731.2	1,585.0	34.0	−2.5
1980	5,588.2	4,043.2	1,519.2	25.8	4.4
1981E	5,040.1	3,643.2	1,373.6	23.3	−9.8
1982E	5,222.6	3,745.2	1,453.3	24.1	3.6
1992P	10,184.7	7,182.0	2,958.7	44.0	6.9

E-Estimates by BTA
P-Projections by BTA
NA-Not Available
*Compound annual growth
Source: U.S. Dept. of Commerce

Copyright: Beverage Industry, April 22, 1983

Manufacturers' sales of powdered cocoa

(Dollars in Millions)

	Total sales	Annual % change
1972	$ 86.5	—
1973	101.2	17.0%
1974	142.0	40.3
1975	192.3	35.4
1976	187.5	−2.5
1977	218.1	16.3
1978	267.6	22.7
1979	302.1	12.9
1980	324.8	7.5
1981	317.7	−2.2
1982E	312.9	−1.5
1992P	560.4	6.0*

E-Estimates by BTA
P-Projections by BTA
*Compound annual growth rate
Source: U.S. Dept. of Commerce

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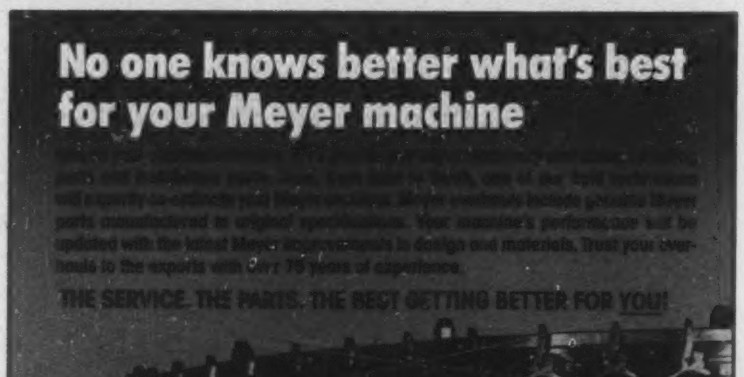
Total media expenditures for hot beverages by product category

($000)

	1975	1978	1979	1980	1981
Coffee	$60,448.5	$134,327.7	$176,302.6	$194,563.5	$190,864.1
Tea	13,200.0	23,356.7	24,820.4	25,569.7	28,290.2
Cocoa mix	6,557.3	12,668.1	10,355.6	8,179.6	6,467.3
Total, Hot Beverages	80,205.8	170,372.5	211,478.6	228,312.8	225,621.6

Source: Leading National Advertisers

Copyright: Beverage Industry, April 22, 1983



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Hot beverages

(continued from page 6)

outpacing overall tea sales and increasing at a rate of over 17% compounded annually. Sales of instant tea mixes totaled 160.7 million pounds and $234.9 million during 1981.

hot cocoa

Unlike the other segments of the hot beverage market, hot cocoa volume will show little increase until later this decade. While sales of powdered, sweetened cocoa mix have grown at a compounded annual rate of 14% for the past 10 years, sales in volume have declined at approximately .5% per year. This implies that the increase in dollar sales has been almost entirely due to increase in price.

Demographic factors appear to be the main cause of declining sales, according to BTA. The adolescent and youth segment of the population, the primary users of hot cocoa, have been a declining proportion of the population. The early 1980's, states the report, are experiencing a "mini baby boom," as more women are entering their childbearing years. These babies will constitute the hot cocoa market of the near future.

low calorie

In order to compensate for sluggish sales, hot cocoa producers introduced a number of new products over the past several years. Low calorie hot cocoa mix is intended to appeal to today's weight conscious consumer, while flavored cocoa, such as mixtures of coffee and cocoa, give consumers a broader product range to choose from.

To obtain a copy of "The U.S. Hot Beverage Market," contact Business Trend Analysts, 2171 Jericho Turnpike, Commack, NY 11725, 516/462-5454. It is available for $475.

Manufacturers' sales of tea by type

(Dollars in Millions)

	Total tea sales	Tea bags	Loose	Instant tea
1972	$340.8	$176.9	$21.5	$ 86.0
1973	380.9	185.0	18.8	98.3
1974	415.7	203.9	19.9	102.2
1975	430.5	178.9	20.6	117.9
1976	441.0	190.1	21.7	124.0
1977	700.6	344.3	32.0	161.4
1978	752.0	364.3	31.9	161.2
1979	741.3	367.2	26.7	150.1
1980	821.3	415.2	26.2	164.0
1981	886.4	456.1	25.1	170.3
1992P	2,249.4	1,047.6	27.0	285.4

P-Projections by BTA
Source: Business Trend Analysts Inc.

Clean fleet

(Continued from page 25)

graphics were the most noticeable and regarded as the safest. Company image can also be enhanced by increasing the amount of reflective markings, the study reported.

Since trucks are viewed as more dangerous at night, the study said that reflective graphics could greatly improve the night-time safety image of trucks.

cleanliness

The study showed that cleanliness was the most important factor in promoting a positive company image and in making trucks appear safer and better-driven.

Clean trucks were identified as more noticeable than dirty ones. But dirty trucks with graphic markings were seen as safer and better-driven than dirty trucks without any graphics at all. In fact, dirty trucks without graphics scored lowest in every case.

The study said that while some may feel it better not to have the company or product name on a dirty truck, the study did not bear this out. A dirty truck is simply not as noticeable.

"Keeping your fleet clean only increases the power of the graphic display in creating a positive company image," the study said.

In addition, trucks without graphics were seen as "big and threatening," but the same trucks with graphics were not identified as threatening. So graphics can be effective in making trucks appear smaller than they really are.

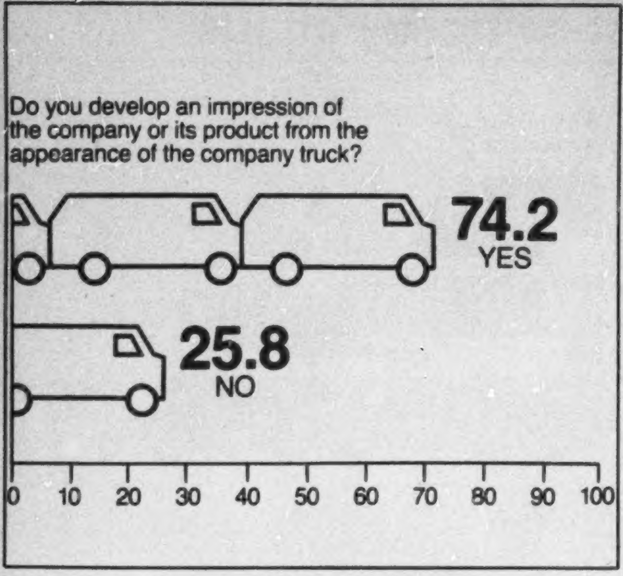
Richard Staley, senior economist with the American Trucking Foundation and author of the study, said he also found messages are retained better and easier seen if bold letters are used to form short messages.

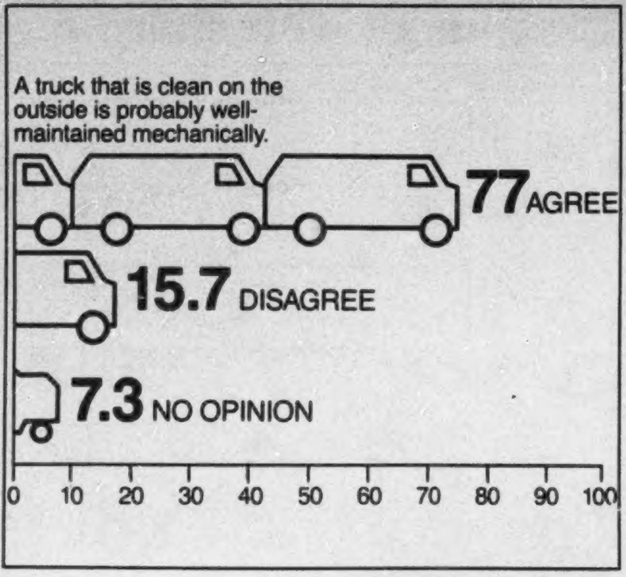
In addition, messages will be seen by more motorists if they are placed on the side of the truck. If they are placed on the back, they will be seen by fewer people, but for a greater period of time. He said placing messages on the front of the truck is almost useless.

Staley said a truck can convey messages in places you couldn't put a billboard, like in residential areas. "A truck can sometimes give a company a sign larger than any city zoning law would permit," Staley said.

Staley said most in the beverage industry strive for a clean-scrubbed image often using white backgrounds.

● For more information on **3M's Fleet Graphics** circle no. 236 on reader service card.


Do you develop an impression of the company or its product from the appearance of the company truck?


A truck that is clean on the outside is probably well-maintained mechanically.

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Circle No. 117 on Reader Service Card

Trucks

Glider kits decrease truck investment costs

A number of fleets and truck manufacturers have come to regard glider kits as an effective means of reducing truck ownership costs. A glider kit consists of a completely assembled cab and chassis, less the engine and accessories, transmission, clutch, driveline, and drive axle assembly. Glider kits have been offered by most major truck manufacturers for years, historically to utilize the powertrain components from late model wrecks or fire damaged vehicles.

Now, however, there is a growing emphasis on using glider kits as a low cost means of upgrading the fleet. Remanufactured component assemblies are now available on an immediate exchange basis from larger distributors, which makes kit assembly much quicker than overhaul.

remanufacturer

Remanufacture of drivetrain components normally costs in the range of 40 to 60% of new component prices. With remanufactured drivetrain components, a new glider kit and assembly labor costs, the beverage fleet operator should gain the equivalent of a new truck for about 60% of the dealer's price.

The reliability of remanufactured components has been proven. Manufacturers such as Caterpillar, Cummins and Mack, replace all internal engine components subject to wear with magnetic particle inspection of the engine block. Assembly line production techniques and rigid quality control standards enable them to give warranties identical to those on new engines, and the remanufactured engines do, in fact, give a service life equal or superior to that of new engines. An executive at the former IHC ReNew Center in Springfield, MO, once pointed out that engines may be successfully remanufactured time after time. He pointed out that the popular DT 466, which was used in backhoes and other construction equipment for years before it was adapted to medium duty trucks, is often remanufactured four to six times at a cost of 40-50% of a new engine's price.

Many independent rebuilders also do high quality work on all the major powertrain components. In some cases, however, rebuilding is done on a custom basis, using the engine block or transmission and differential housings supplied by the fleet. This can delay the completion of the glider kit assembly and require that the existing truck be out of service for a much longer period of time.

In addition to the outright cost of a glider kit assembly, compared to the purchase price of a new truck, several other economic factors should be considered. The first is downpayment and interest cost considerations. If

COMPARISON OF NEW TRUCK VS. GLIDER KIT OWNERSHIP COSTS AND SAVINGS*

	New truck		Glider kit		Savings
Purchase cost	$60,000		$39,000		$21,000
Downpayment (20%)	12,000		7,200		4,800
Interest and principal					
Year 1	17,062		11,302		5,760
2	17,062		11,302		5,760
3	17,062		11,302		5,760
4	17,062		11,302		5,760
Maintenance costs					
Year 1	7,000	(.07 mi.)	7,700	(.077 mi.)	(700)
2	7,000		7,700		(700)
3	7,000		7,700		(700)
4	7,000		7,700		(700)
Sub-Total	$108,248		$83,208		$25,040
Less trade in (4 years)	25,000		15,000		(10,000)
Total cost	$83,248		$68,208		$15,040

*Based on data compiled by IHC on Transfer models.

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April 22, 1983

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an assembled glider kit can be financed at 60% of the cost of a new truck, a savings of 40% of the downpayment and interest charges results. An executive of one truck manufacturer says, "Interest has been running high in glider kits simply because of increased new truck prices and high interest rates. Most fleets seek alternatives to paying in excess of 15% interest on new truck purchases. If prime rates continue to decline, we expect an equivalent decline of interest in gliders."

Another factor to consider is the tax status of glider kits. If the buyer uses two of the three major drivetrain components (engine, transmission, and drive axle) from an existing vehicle, the glider kit is considered a replacement part. Truck parts and accessories were recently exempted from federal excise tax while FET on new trucks was increased to 12% of list price. A Volvo-White dealer pointed out, "We are discounting new truck prices about 20% at the moment. But if the sticker price is $50,000, the customer is still liable for $6,000 in FET regardless of the actual selling price. That and the exemption of replacement parts are bound to making kitting more attractive to cost conscious fleets."

tax liability

The latest revisions of excise tax laws are so new that definitive interpretations have not been established. Virtually every dealer has his own approach to the problem and some see the collection of FET on glider kits as a means of self protection. Many are accustomed to selling glider kits as a package-supplying remanufactured components on an exchange basis and assembling them in the dealer's shop. This could create some questions about the legitimacy of kitting as a "repair." Mack offers glider kits with a remanufactured engine already installed. Another manufacturer is reportedly considering factory assembly of the total package, using the customer supplied powertrain. In both cases, questions of tax liability could arise.

labor taxable

A further complication is making new labor on remanufacturing operations subject to FET. FET could conceivably be applied to labor charges for kitting as well as the exchange price on remanufactured component assemblies.

Even more clouded is the approach to depreciation schedules for tax purposes. Each district IRS office establishes its own guidelines. In some cases, schedules are identical to those applicable to new trucks. In other areas, rules are much less liberal.

> ***The latest revisions of excise tax laws are so new that definite interpretations have not been established.***

Even the kit manufacturers hesitate to discuss the taxable depreciation status of their products. They advise having the fleet tax consultant or attorney seek an individual ruling from the appropriate IRS office.

The same rule of thumb applies to state registration and licensing standards. Most states treat the assembled kit as a new truck with an older drivetrain. But there is sufficient variance between states to justify seeking an individual ruling to eliminate confusion at local licensing bureaus, many of which have never dealt with glider kits. The seeming confusion over tax and registration standards for glider kits resulted from a rash of fraudulent truck sales several years ago. Some dealers apparently installed drivetrains from used trucks in glider kits and sold them as totally new trucks.

Besides the immediate economic advantages of kitting, a high degree of flexibility becomes possible. A beverage fleet that contemplates converting from straight trucks to route trailers, for example, may find glider kits a low cost means of utilizing existing equipment. Converting from a long wheelbase, conventional cab model, to a short wheelbase COE only requires shortening the driveline. Careful attention must be paid to driveline phasing and angularity. Nor does the make and model of the glider kit have to be identical to the existing truck, in most cases. The kit manufacturer simply supplies the proper engine and transmission mounts for whichever components will be used.

Since the energy crisis of the mid 70's, a wholesale conversion from gasoline to diesel power has occurred among beverage bottlers and distributors. This move resulted in higher new truck prices to cover additional costs of the diesel engine as well as heavier transmissions, clutches, drivelines and drive axles to match higher torque output. Some of those fleets are now finding that route service, with its attendant curbing, potholes and frequent brake applications, tends to destroy the chassis well in advance of the heavy duty drivetrain.

Glider kits enable a fleet to reuse the powertrain almost

Before you buy a
it pays to do some

indefinitely, with periodic replacement of the cab and chassis. White offers a glider kit in its Road Xpeditor 2 series. International has a complete range of S series kits and GMC offers kits in most medium duty series models. Some fleets might even find kitting an attractive means of upgrading their vehicles with heavier frames and steering axles.

Extensive use of glider kits has not occurred among operators of medium duty trucks. An IH salesman says, "Our glider sales have been confined to heavy duty over-the-road and construction vehicles. Route truck buyers are attuned to outright replacement."

If the emphasis does shift to the use of gliders, the full service truck leasing companies will probably play a major role. During the past three years, the combination of high inflation, interest rates and tight money supplies has prompted many companies to think in terms of renovation and kitting to reduce investment and to lower customer service charges. One lease company branch manager told **BI**, "If we can keep a truck in service for eight years instead of four without increased downtime or maintenance costs, it simply makes leasing a more attractive and lower cost option to truck ownership."

Historically, the alternative to truck replacement has been major repair. But repair costs and downtime, in particular, tend to escalate with the age of the unit. This is particularly true of cab sheet metal, electrical systems, air wiper motors, air conditioners and steering assemblies. None of these systems normally require a major, big ticket repair, but frequency of maintenance and the downtime involved can consume a lion's share of the maintenance budget.

Extensive use of glider kits has not occurred among operators of medium duty trucks. Sales have been confined to heavy-duty over-the-road and construction vehicles.

In coastal areas with a salt laden atmosphere or in the snowbelt where heavy use of deicers occurs, cab corrosion becomes a major problem. Some fleets, in fact, are forced to replace cabs every four to five years or trade trucks simply for the sake of appearance. The cost of a new cab alone can total about one-half the price of a glider kit, particularly when purchase and installation of a new wiring harness, painting and change out of instruments, seats, controls and other accessories is also being considered.

Assembly of a glider kit requires about 100 man hours. Manufacturers usually consider the cost to be about $2,800. This figure varies depending upon the area and the shop handling the assembly.

Some fleets assemble glider kits in their own shops. Space and equipment needs are relatively modest. The older truck and glider kit should be parked side by side with additional room to maneuver the drive axle/suspension assembly. In addition to the mechanic's standard hand tools, a pedestal or magnetic drill, jack stand, hoist, welder and air supply are necessary. If the existing suspension is rebushed in the shop, a hydraulic press is essential.

For most small fleets, the real problem in kitting revolves around personnel. Kit manufacturers recommend that kitting not be regarded as a fill-in job for reasons of greater downtime, possible loss of components or hardware and less effective supervision. Nevertheless, some fleets do assemble kits during slack periods when mechanics would normally be idle part of the day or laid off.

Close supervision and expediting also become necessary. If all powertrain and engine accessory components are remanufactured, delivery must be coordinated to avoid assembly delays. Some hardware must be purchased separately. Engine electrical connections, radiator hoses, battery cables and suspension attaching bolts are examples. One kit manufacturer estimates the cost of miscellaneous items at 3½% of the glider kit cost. Whether the dealer assembles the kit or the job is done in the fleet shop, a clear understanding of the nature and amount of additional costs should be determined.

Glider kits aren't for everyone. In some cases, the resale value of existing equipment makes outright replacement less expensive than glider kit conversion. The used truck market is always a variable factor that must be considered. But if upgrading the fleet at low cost is required, and used or remanufactured powertrain components are available, glider kits deserve management's consideration.

- For more information on **International Harvester** circle no. 241; **Caterpillar Lift Trucks** circle no. 242; **Mack Trucks** circle no. 243; **Cummins Engine Co.** circle no. 244; **White Motor Corp.** circle no. 245; **GMC Truck** circle no. 246.

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C5250-2 5/12/83

SOFT DRINKS ☐ BEER ☐ BOTTLED WATER ☐ WINE ☐ POWDERS ☐ JUICES ☐ SPIRITS MAY 6, 1983

Beverage Industry

MARKETING ☐ DISTRIBUTION ☐ TECHNOLOGY AN HBJ PUBLICATION

QC award winners: no secrets, just strict, meticulous work

By Laura Martinez

SPECIAL REPORT — Controlling the quality of the vast number of products coming out of a soft drink plant is a complicated task involving a wide variety of people, equipment and testing procedures.

Raw materials, mixing practices, packages and sanitation are all bound to go awry unless closely monitored, resulting in product of lesser quality than consumers have come to expect. In order to avoid problems that are the direct result of a lack of quality control, parent companies have set up inspection programs using awards as incentives, to keep bottlers on their toes.

Under these programs, representatives of parent companies are dispatched to check on plant upkeep, product quality, equipment maintenance and sanitation, using a strict set of

(Continued on page 19)

Dallas Coke's award-winning quality control techniques are shown by QC manager Kathy Madden as she prepares to filter a sample for microbiology testing.

Sculley resigns at Pepsi; firm forms new bev. group

PURCHASE, NY—Following the resignation of John C. Sculley as president and CEO of Pepsi-Cola Co., PepsiCo Chairman Don Kendall announced the establishment of a new worldwide beverage group to be headed by Victor Bonomo.

Under the new alignment, Roger Enrico, formerly number two to Sculley, becomes president and CEO of the newly-formed Pepsi-Cola USA div. Robert Dettmer, president, also becomes CEO of the domestic Pepsi Bottling Group.

Robert H. Beeby returns as president and CEO of International operations. He formerly was COO of this div. and most recently served as president of the Wilson Sporting Goods Div.

Thomas J. Rattigan becomes president and CEO of international company-owned bottling operations.

Sculley who left the firm to become president and CEO of Apple Computers, Inc., Cupertino, CA, was praised by Kendall. "John has earned the respect and admiration of everyone in the PepsiCo family," he said, noting particularly Sculley's contributions to the development of new products and new marketing programs.

Sculley first joined Pepsi-Cola as a management trainee in 1967. He was named president in 1977. He was the **Beverage Industry** man of the Year in 1980.

Kendall also said the new beverage divisions would have more autonomy to allow quicker response to local market needs.

Competition justifies beer price differentials: courts

WASHINGTON, DC—Brewers who charge different prices to their customers, provided they are meeting competition in designated geographic areas, have a greater defense against charges of price discrimination thanks to a recent Supreme Court ruling.

The case involved a Kentucky brewer who charged an Indiana beer distributor more for its "Falls City Beer" and "Drummond Bros. Preferred Beer" than it did to distributors in its own state. The brewer maintained that the price differential merely met competition in those specific markets and therefore was not subject to antitrust attack under the Robinson-Patman Act.

But both a district and appellate court differed, arguing that price differentials could only be used on an individual, not marketwide basis.

However, in a unanimous decision, the high bench expanded the meeting competition defense in price discrimination cases by ruling that a seller must prove that "the lower price he charged was

(Continued on page 6)

Anti-tampering bill moving in Congress

WASHINGTON, DC—Legislation making it a crime to tamper with foods, drugs, devices or cosmetics has been moving through both houses of Congress, albeit with changes along the way.

The Senate Judiciary Committee has been considering expanding Chairman Strom Thurmond's anti-tampering measure (S. 216) to include some suggestions offered in a Justice Department draft bill.

Among the changes under consideration are Justice's recommendation that the measure not only address

(Continued on page 26)

BI Week

- **Lipton continues to expand its number one position in post mix teas. Franchises have recently signed several major accounts. Among these: Sea World, Aurora, OH; Cincinnati Zoo; Kings Island amusement park, Cincinnati and Chaza Lake, OH, recreational area.**
- **Package designs for Coke's new caffeine free colas have been shown to key industry suppliers.**

(Continued on page 9)

Mexican brewers suing Reagan over duty status

WASHINGTON, DC — Mexico's National Association of Beer Manufacturers (NABM) has sued President Reagan over his decision to graduate duty-free Mexican beer imports under the Generalized System of Preferences (GSP).

The decision stemmed from a United States Brewers Association (USBA) petition asking the government to eliminate Mexico's duty-free status as a developing nation since it imposes a 100% tariff on U.S. beer imports eliminating their access to the Mexican beer market. USBA President Henry King told **BI** that "the American position is simple. We believe in free trade, tariffs, reciprocity and the freedom to fail. We don't believe in quotas."

But an 800,000 case quota on U.S. beer to be sold throughout Mexico at a 75% tariff was Mexico's offer if USBA withdrew its petition. NABM maintained that the quota was somewhat larger than the market share Mexican beer has in the U.S. But USBA did not waiver and the President agreed with their lack of access argument.

(Continued on page 8)

New system eliminates can abrasion

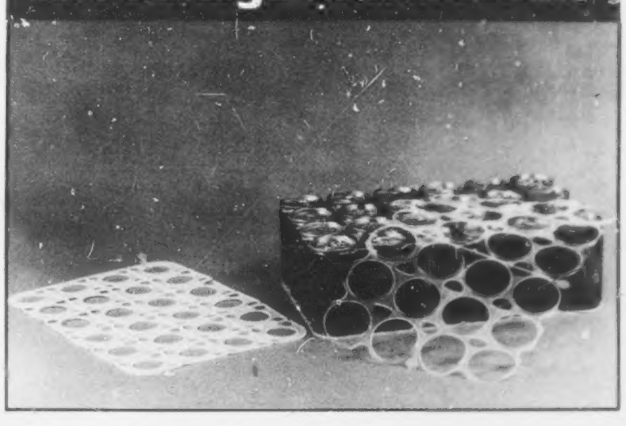
POMPANO BEACH, FL — A company here has developed a new packaging system that it believes will eliminate can abrasion and save the brewing and soft drink industries millions.

American Mold Co.'s system features the new Can Tray device for the bottom of cases and the industry's first injection-molded can carrier, called the Multi-Cluster, to hold cases of cans together at the top.

Cost of savings based on production figures of 2.3 billion cases annually, can

(Continued on page 8)

BI Package of the Week



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SOFT DRINKS ☐ BEER ☐ BOTTLED WATER ☐ WINE ☐ POWDERS ☐ JUICES ☐ SPIRITS MAY 6, 1983

Beverage Industry

MARKETING ☐ DISTRIBUTION ☐ TECHNOLOGY AN HBJ PUBLICATION

New packaging is just the beginning of a "new look" for Tropicana. The package design system was secretly unveiled at Tropicana's 26th annual national sales meeting in January and is now sweeping into the nation's grocery stores.

Tropicana redesigns its entire juice product line

BRADENTON, FL—Much more emphasis on marketing, without taking anything away from production, is the reason given for Tropicana Products' new redesigns for *its entire product line.*

Tropicana chairman and CEO, Richard Walrack, says the company is looking to strengthen its marketing techniques further.

"We have long had superior production abilities, which gives us latitude to strength-

(Continued on page 6)

Study: $50 million plants control $6 billion volume

BI EXCLUSIVE—The number of U.S. soft drink plants enjoying annual sales volume of $50 million or more has more than doubled during the past two years—from 33 such operations in 1980 to 67 in 1982. These plants represent a mere 4.32% of total U.S. plants, but now account for the lion's share of business, an estimated $6.365 billion in wholesales volume, and 2.345 billion in gallons.

Meanwhile, more than half of soft drink sales were accounted for in 1982 by 11.9% of total plants, including the top 67 operations plus another 119 with annual sales of $25 million and above. These 186 plants, compared with 140 in 1980, reached an estimated sales volume of $10.827 billion, or 54.2% of the $19.9 billion market, and a product volume of 4.130 billion gallons, or 53.29% of the 7.748 billion-gallon total.

This is the newly-released

(Continued on page 5)

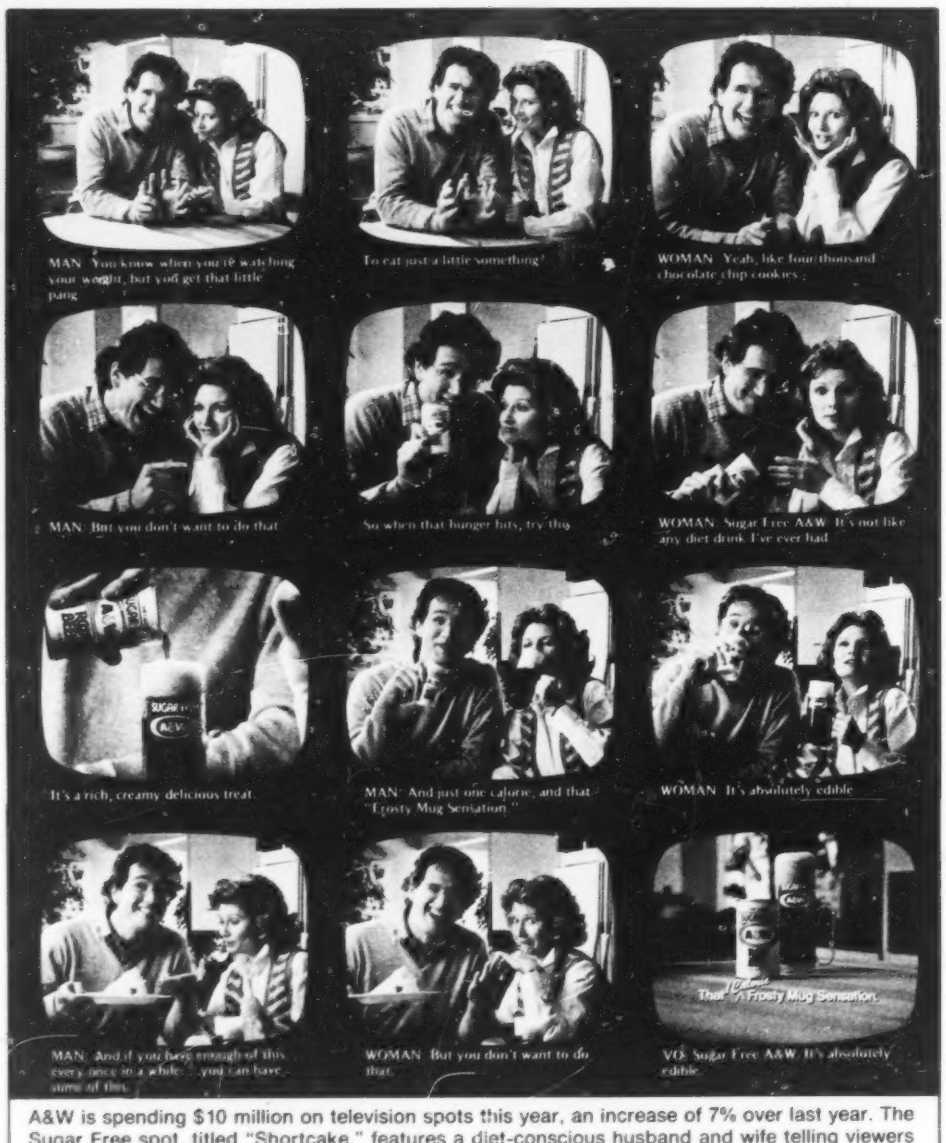
1982 Regional soft drink demographics

Region	No. of plants	% of total	Estimated gallonage (add 000)	% of total	Estimated wholesale dollar volume (add 000)	% of total
New England	104	6.7	307,300	4.0	$ 793,750	4.0
Mideast	216	13.9	1,210,250	15.6	$3,138,450	15.7
Great Lakes	242	15.6	1,252,900	16.2	$3,230,250	16.2
Plains	156	10.1	591,900	7.6	$1,509,250	7.6
Southeast	441	28.4	2,224,800	28.7	$5,691,500	28.5
Southwest	171	11.0	1,008,300	13.0	$2,601,500	13.1
Rocky Mountain	65	4.2	248,000	3.2	$ 638,000	3.2
Far West	157	1.1	906,250	11.7	$2,337,450	11.7
Total	**1,552**		**7,749,700**		**$19,940,150**	

(a): Soft drink bottler and canner package and bulk gallonage only; does not include approximately 1.33 billion gallons of bulk syrup sales through other distribution. Total 1982 soft drink gallonage volume approximates 9.08 billion gallons.
(b): Soft drink bottler and canner package and bulk sales only; does not include approximately $1.3 billion of bulk syrup sales through other distribution. Total 1982 soft drink wholesaler dollar volume approximates $21.2 billion.

Source: Beverage Data Bank

Copyright: Beverage Industry, May 6, 1983


MAN: You know when you're watching your weight, but you get that little pang
To eat just a little something?
WOMAN: Yeah, like four thousand chocolate chip cookies.
MAN: But you don't want to do that.
So when that hunger hits, try this.
WOMAN: Sugar Free A&W. It's not like any diet drink I've ever had.
It's a rich, creamy delicious treat.
MAN: And just one calorie, and that "Frosty Mug Sensation."
WOMAN: It's absolutely edible.
MAN: And if you have enough of this every once in a while... you can have some of this.
WOMAN: But you don't want to do that.
VO: Sugar Free A&W. It's absolutely edible.
That 1 Calorie Frosty Mug Sensation.

A&W is spending $10 million on television spots this year, an increase of 7% over last year. The Sugar Free spot, titled "Shortcake," features a diet-conscious husband and wife telling viewers what they can do when they are watching their weight and they get that "little pang."

A&W positions diet as "snack food"; ups ad spending 7% to $10 million

NEW YORK—A&W Beverages, Inc., introducing new advertising campaigns for A&W and Sugar Free A&W, has taken a dramatic and innovative step and positioned its diet version as a food.

"It's kind of a bold move for us," said Mike Weinstein, vp-marketing for A&W. "You talk to people to find out why they drink diet soft drinks and it's because they're dieting. But if you talk to them a little longer you find out that they drink them when they're hungry," he added.

HBM/Steifel designed two television spots for the root beer, one for regular the other for diet. Both spots represent a departure from the lifestyle orientation that most soft drink brands have been using. Both spots are product-oriented.

A&W is spending $10 million on the spots this year, an increase of 7% over last year on spot and network television and radio. Spots began running March 21 and will continue through the end of September, six more weeks than last year's campaign.

Weinstein said it was a

(Continued on page 11)

Aseptipak '83 scheduled for June 8-10

PRINCETON, NJ — Three sessions will highlight this year's Aseptipak '83, which runs from June 8-10 at the Scanticon-Princeton Executive Conference Center and Hotel.

The first session, entitled "Product Processing and Packaging Systems," will feature speakers from West Germany, Sweden and the US, according to Ronald S.

(Continued on page 8)

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Soft drinks

(Continued from page 4)

data from Beverage Marketing Corp.'s (BMC's) 1982 Sales Survey of U.S. Soft Drink Plants. The study includes details of concentration in the soft drink industry as well as national, regional and state breakdowns of company sales volume rankings, sales size and concentration, and gallonage size and concentration. And for the first time, the survey reveals every plant by company name, address and sales volume range.

"Of the total number of soft drink plants in the U.S., the top 478 now account for 80% of industry dollar volume," explains Michael Bellas, president of Beverage Marketing Corp."By the end of this century, it is easily feasible that as few as 500 plants will be supplying all industry needs."

One of the largest plants in the survey approximated just under $200 million in sales volume, according to Janet Fanshawe, BMC's director of marketing. "As more and more plants become larger in scale," she points out, "concentration is expected to become an increasingly important factor in the industry."

Details of concentration in the soft drink industry as well as national, regional and state breakdowns of company sales volume rankings, sales size and concentration, and gallonage size and concentration are revealed in the third annual study by Beverage Marketing Corp., Mingo Junction, OH. This demographic picture has been compiled from information stored in the firm's Beverage Data Bank.

The study also shows that between 1980-82, 181 soft drink plants either went out of business, were acquired, or ceased to operate as production facilities.

mid-range losses

Growth in the number of soft drink plants in the top three sales range categories — from $10 million to $50 million and above — appear to be at the expense of plants whose sales ranges were from $500,000 to $10 million.

For example, plants in the $3 million to $5 million range declined in number from 359 in 1980 to 267 in 1982 or from 20.7% to 17.2% of the total number of U.S. soft drink plants.

In 1982, those plants showed an estimated sales volume of $1.068 billion or 5.3% of total, and an estimated gallonage of 400.5 billion. Those figures compare with $1.436 estimated sales in 1980, or 8.99% of the total, and 718 million gallons, or 8.5% of the total, the study

1982 national soft drink demographics

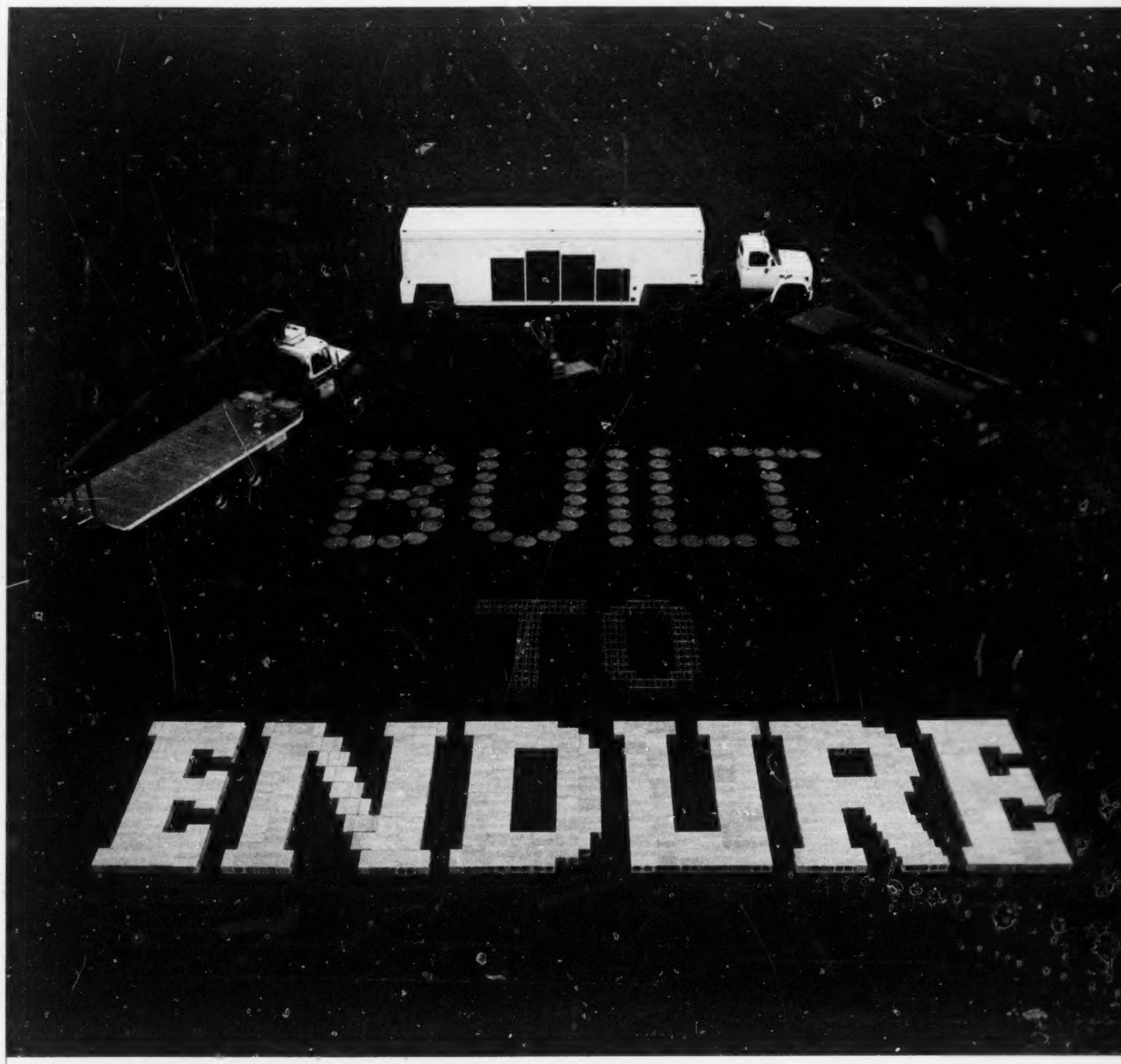
Sales range	Number of plants	Percent of total	Estimated gallonage volume (000)	Percent of total	Estimated wholesale sales (000)	Percent of total
$50 million or more	67	4.32	2,345,000	30.26	$ 6,365,000	31.9
$25 TO $50 million	119	7.67	1,785,000	23.03	$ 4,462,500	22.3
$10 to $25 million	292	18.81	2,044,000	26.38	$ 5,110,000	25.6
$5 to $10 million	266	17.14	798,000	10.30	$ 1,995,000	10.0
$3 to $5 million	267	17.20	400,500	5.17	$ 1,068,000	5.3
$2 to $3 million	250	16.11	250,000	3.23	$ 625,000	3.1
$1 to $2 million	176	11.34	105,600	1.36	$ 264,000	1.3
$500,000 to $1 million	44	2.84	13,200	.17	$ 33,000	.1
Less than $500,000	69	4.45	6,900	.09	$ 17,250	.0
Subtotal	1,550		7,748,200		$19,939,750	
Unclassified	2	.13	1,500	.02	$ 400	.0
Total	**1,552**		**7,749,700(a)**		**$19,940,150(b)**	

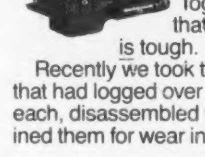
(a): Soft drink bottler and canner package and bulk gallonage only; does not include approximately 1.33 billion gallons of bulk syrup sales through other distribution. Total 1982 soft drink gallonage volume approximates 9.08 billion gallons.

(b): Soft drink bottler and canner package and bulk sales only; does not include approximately $1.3 billion of bulk syrup sales through other distribution. Total 1982 soft drink wholesaler dollar volume approximates $21.2 billion.

Source: Beverage Data Bank

Copyright: Beverage Industry, May 6, 1983





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indicates.

Numerically, the largest group of bottlers is in the $10 million to $25 million sales range, according to the study. They operated 292 plants in 1982, compared to 223 in 1980, with an estimated $5.110 billion in sales, or 25.6% of the total, and 2.044 billion gallons, or 26.38% of the total picture.

In 1980, this category of bottlers represented 12.88% of the total number of U.S. soft drink plants, compared to 18.81% in 1982. The 1980 estimated sales volume was $3.902 billion, or 24.42% of the total, and gallonage was at 2.007 billion, or 23.77%.

Of the eight categories in the 1982 Sales Survey, the fourth and only other group to show growth in the 1980-82 period were bottlers with sales of less than $500,000. The number of plants increased from 45 to 69, and represents 4.45% of the total, compared to 2.60% in 1980.

Soft drink bottlers in the southeastern states continue to rank first in number of plants, sales and gallonage. In 1982, there were 441 plants in the Southeast, 28.4% of the U.S. total. Compared to 986.9 gallons in 1980.

Copies of the study and additional information are available from Beverage Marketing Corp. 866 Second Ave., New York, NY 10017; (212) 688-7640. Single copies may be purchased.

Tropicana

(Continued from page 4)

en our marketing abilities," he says. "Our new packaging is just the beginning of a 'new look' Tropicana."

The "design system," as Tropicana officials call it, was secretly revealed at the company's recent 26th annual sales meeting. Clive Chajet, president of the New York-based Chajet Design Group, is creator of the new packaging, which features redesign of the carton gables, insuring quicker identification of the Tropicana name. The packaging is also consistent with the old design in typography, color scheme and in retaining the brand's familiar little girl logo, Tropic-Ana. Chajet has designed package systems for such companies as Borden, Campbell Soup, Coca-Cola, Johnson & Johnson, R.J. Reynolds and others.

Champion International Corp., Dairy Pack Div., manufactures the Tropicana cartons, while the container wraps, Cluster-Pac, are designed by Mead Packaging of Atlanta. "Tropicana enjoys an extremely strong franchise among consumers," Chajet said. "Similarly, Tropicana's packaging elements are well-known with strong equities. The challenge lay in identifying those equities and—rather than replacing them—dramatizing them in the new packaging system."

Top Tropicana executives involved with the project have predicted the new packaging will increase the product's impact at point-of-sale. The ready-to-serve orange juice, according to an A.C. Nielsen report, already has the highest "turn" rate in the industry, the company points out.

During Tropicana's 1984 fiscal year, which began last month, stronger emphasis will be placed on the company's sales and marketing efforts. "We're becoming more sophisticated in our techniques and practices," claims John B. Argeros, vice president of sales and marketing. "Our new marketing plans have been in the works for more than a year. In 1983, we've gone to brand managers for the first time. That alone is going to make a major difference in the way we do business."

Argeros went on to say Tropicana's point-of-sale material will be stronger than in years past and "our service to retailers will improve as well." Tropicana plans to do this by increasing its sales force by at least 10% this year, and by adding new brokers to improve distribution.

"Some of the new people are already on board with more to come," Argeros said.

For more information on **Tropicana,** circle no. 236; for **Chajet Design Group,** circle no. 237; for **Champion International,** circle no. 238; for **Mead Pkg,** circle no. 249.

Pricing

(Continued from page 1)

generally available from his competitors throughout the territory and throughout the period in which he made the lower price available."

In the ruling, Justice Harry Blackmun stressed that the essence of the meeting competition defense "is to permit a seller to treat different competitive situations differently. The prudent businessman responding fairly to what he believes in good faith is a situation of competitive necessity," he continued, "might well raise his prices to some customers to increase his profits, while meeting competitors' prices by keeping his prices to other customers low."

The bottom line is that "Congress intended to allow reasonable pricing responses on an area-specific basis where competitive circumstances warrant them," Justice Blackmun concluded.

Despite the ruling, the brewer is not out of the woods yet. He still must prove that the pricing system he employed did indeed meet competition.

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Beverage Business Indicators

Glass container shipments

(thousands of gross)
(not seasonally adjusted)

	August 1982	Sept. 1982	% Change	Sept. 1981	Sept.'81 vs. Sept.'82 % Change
Bottles	28,148	26,515	(5.8)	26,660	(.5)
Beverage:					
Refillable	229	207	(9.6)	219	(5.4)
Nonrefillable	5,784	4,986	(13.8)	4,590	8.6
Under 10 oz.	93	87	(6.5)	98	(11.2)
10.0 to 15.9 oz.	1,730	1,585	(8.4)	1,505	5.3
16.0 to 16.9 oz.	3,587	2,998	(16.4)	2,666	12.4
17.0 and over	374	316	(15.5)	321	(1.5)
Beer:					
Refillable	57	21	63.1	75	(72)
Nonrefillable	9,024	8,240	(8.7)	8,658	(5)
Under 11 oz	1,490	1,793	20.3	1,672	7.2
11.0 to 15.9 oz.	6,951	5,875	(15.5)	6,432	(8.7)
16.0 and over	583	572	(1.9)	554	3.2
Liquor:	1,017	1,182	16.2	1,257	(6)
Under 125 ml	89	62	(30.3)	120	(48.3)
126 to 275 ml	208	266	27.9	266	0
276 to 500 ml	107	133	24.3	152	(12.5)
501 to 800 ml	260	321	23.5	324	(.9)
801 to 1000 ml	211	231	9.5	239	(3.3)
1001 ml and over	142	169	19	156	8.3
Wine:	762	667	(12.4)	680	(1.9)
Under 500 ml	148	105	(29)	127	(17.3)
501 to 800 ml	377	339	(10)	296	14.5
801 to 1000 ml	14	13	(7)	210	(34.2)
1001 to 1600 ml	134	125	(6.7)		
Over 1600 ml	89	85	(4)	47	80

Source U.S. Dept. of Commerce
Bureau of the Census

Beverage closures

	August 1982	September 1982	% Change	September 1981	Sept. '81 vs. Sept. '82 % Change
Metal (for spirits, wines)	53,507	48,407	(9.5)	81,621	(40.7)
Plastic (for spirits, wines)	141,521	126,012	(11.0)	135,196	(6.8)
Metal crowns (beer & soft drinks)	17,728	16,709	(5.7)	20,977	(20.3)
Soft drink (convenience type)	1,637	1,910	16.7	1,784	7.1
Soft drink (conventional types)	4,709	5,602	19.0	7,261	(22.8)
Beer (convenience types)	9,645	6,584	(31.7)	9,577	(31.3)
Beer (conventional types)	1,737	2,613	50.4	2,355	11.0
All other metal closures than crowns	5,482	5,665	3.3	6,462	(12.3)

Source U.S. Dept. of Commerce
Bureau of the Census

Imported beverages

(Proof gals)

	October 1982	November 1982	% Change	November 1981	Nov. '81 vs. Nov. '82 % Change
Beer*	14,074,593	15,391,364	9.4	11,880,968	29.5
Whiskey	9,886,891	8,178,758	(17.3)	9,300,856	(12.1)
Brandy	515,238	673,330	30.7	516,077	30.5
Gin	539,023	655,186	21.6	535,948	22.2
Rum	72,572	126,409	74.2	73,918	71.0
Cordials & liqueurs	903,617	1,103,575	22.1	1,026,288	7.5
Others	822,038	1,007,303	22.5	836,534	20.4
TOTAL	26,813,972	27,135,925	1.2	24,170,589	12.3
Sparkling wines	812,607	1,133,457	39.5	1,698,528	(33.3)
Still wines, table	8,346,051	10,754,060	28.9	10,110,875	6.4
Still wines, fortified	289,088	449,994	55.7	403,854	11.4
Vermouth	240,916	326,826	35.7	297,722	9.8

*Includes ale, stout, porter
Source: National Association of Beverage Importers, Inc.

Selected consumer price index

(Base: 1967 = 100)

	November 1982	December 1982	% Change	December 1981	Dec. '81 vs. Dec. '82 % Change
Cola	308.8	307.2	(.5)	298.1	3.1
Other carbonated soft drinks	144.8	142.2	(1.8)	139.3	2.1
Noncarbonated drinks	138.8	139.0	.1	137.0	1.5
Wine	235.9	235.6	(.1)	204.1	15.4
Beer and Ale	212.5	212.6	.04	230.0	(7.6)

Source U.S. Dept. of Labor
Bureau of Labor Statistics

The Consumer Price Index (CPI) is a measure of the average changes in prices over time in a fixed "market basket" of goods and services. The index measures price changes from a designated reference date which equals 100 (usually 1967). An increase of 22 percent, for example, is shown as 122. This change can also be expressed in dollars as follows: The price of a base period "market basket" of goods and services in the CPI has risen from $10 in 1967 to $12.20.

Domestic beer removals

(Barrels of 31 gals)

	September 1982	October 1982	% Change	October 1981	Oct. '81 vs. Oct. '82 % Change
Bottles and cans	12,856,778	12,008,499	(6.6)	12,047,325	(.3)
Barrels and kegs	2,026,629	1,820,512	(10.2)	1,797,036	1.3
For export	201,519	235,637	16.9	224,901	4.8
Other	17,805	13,993	(21.4)	14,512	(3.6)
TOTAL	15,102,731	14,078,641	(6.8)	14,083,774	0

Source U.S. Dept. of the Treasury
Bureau of Alcohol, Tobacco and Firearms

Domestic wine removals

(Wine gals)

	September 1982	October 1982	% Change	October 1981	Oct. '81 vs. Oct. '82 % Change
Still wines (bulk)	147,417	202,039	37.0	238,448	(15.3)
Still wines (bottled)	26,955,177	33,941,385	25.9	36,329,051	(6.6)
Effervescent wines (bulk and bottled)	1,901,929	6,547,842	344.3	4,152,533	57.7
TOTAL	29,004,523	40,691,266	40.3	40,720,032	(.1)

Source U.S. Dept. of the Treasury
Bureau of Alcohol, Tobacco and Firearms

Domestic spirits removals

(Wine gals)

	August 1982	September 1982	% Change	September 1981	Sept. '81 vs. Sept. '82 % Change
Whiskey	10,128,766	14,300,076	41.2	14,272,681	.2
Brandy	1,094,683	1,210,106	10.5	1,200,650	.8
Rum	2,247,862	2,371,817	5.5	2,127,667	11.5
Gin	2,791,967	2,978,289	6.7	3,307,410	(10.0)
Vodka	7,289,422	8,117,053	11.4	8,380,937	(3.1)
Cordials & Liqueurs	2,297,369	3,087,686	34.4	3,002,165	2.8
Cocktails & mixed drinks	630,382	637,653	1.2	804,096	(20.7)
TOTAL	26,480,451	32,702,680	70.4	33,095,606	(1.2)

Source U.S. Dept. of the Treasury
Bureau of Alcohol, Tobacco and Firearms

Blow-molded plastic bottle production

(thousands of units)

	August 1982	September 1982	% Change	September 1981	Sept. '81 vs. Sept. '82 % Change
Plastic bottles (blow-molded)	1,326,931	1,315,007	(.9)	1,257,480	4.6
Carbonated beverages	241,470	225,052	(6.8)	172,213	30.7

Source U.S. Dept. of Commerce
Bureau of the Census

Copyright: Beverage Industry,
May 6, 1983

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Liquor industry declines for third straight year

NEW YORK, NY — For the third straight year, the distilled spirits industry is down in the United States.

A report by John C. Maxwell Jr. of Lehman Brothers Kuhn Loeb Research estimates the industry decreased 2% over the previous year.

Maxwell said while much of the volume drop can be attributed to the recession, lifestyles are also moving away from alcohol to soft drinks and other lighter products.

In addition, new laws are not helping the industry. In some states, drunk driving laws have grown tougher and/or the drinking age has rise.

Maxwell added that states looking to close budget deficits may find liquor a convenient "whipping boy" by passing excise taxes.

"Thus we believe the industry will remain under pressure from these sources over the coming months and years, and we do not see much hope for industry growth," Maxwell said.

There were a few bright spots, however. Brown-Forman Distillers and National Distillers had nearly all their major brands show some growth during the year. National even had some brands growing in the double-digit area, the report said.

Maxwell also pointed out that the premium brands continue to sell well as do the brands at the low end of the market.

"That's due to the economy. The rich get rich and the poor get poorer," he said.

Specialty items, like Kahlua and Bailey's Irish Creme, continue their growth. "That's indicative of a change in lifestyle," he said.

Of the top five brands in the industry, only one has changed. Brown-Forman's Jack Daniels moved into the fourth spot, displacing Seagram's V.O., which was pushed to seventh place. Bacardi remains first, Smirnoff second, Seven Crown third and Jim Beam fifth.

Top 40 brands

Rank				9-Liter Cases (000)		
1981	1982	Brand	Company	1981	1982E	Change
1	1	Bacardi	Bacardi	8,220	8,461	2.9
2	2	Smirnoff	Heublein	7,330	7,267	(0.9)
3	3	7 Crown	Seagram	6,245	5,700	(8.7)
6	4	Jack Daniel's	Brown-Forman	3,774	3,936	4.3
5	5	Jim Beam	James Beam (AB)	3,790	3,910	3.2
8	6	Windsor Supreme	National	3,514	3,865	10.0
4	7	V.O.	Seagram	4,000	3,740	(7.5)
10	8	Canadian Mist	Brown-Forman	3,296	3,689	11.9
7	9	Canadian Club	Walker (GWL)	3,715	3,440	(8.0)
11	10	Seagram's Gin	Seagram	3,217	3,184	(1.0)
9	11	Popov	Heublein	3,395	3,077	(9.4)
12	12	Gordon's Gin	Gordon/Renfield	3,154	3,000	(4.9)
13	13	J&B Rare	Paddington (PC)	2,965	2,850	(3.9)
14	14	Gilbey's Gin	National	2,706	2,700	(0.2)
19	15	Kamchatka	National	2,019	2,322	15.0
15	16	Dewar's	Schenley (RA)	2,470	2,300	(7.3)
19	17	Gilbey's Vodka	National	2,019	2,221	10.0
17	18	Gordon's Vodka	Gordon/Renfield	2,132	2,140	0.4
16	19	Cutty Sark	Buckingham	2,145	2,018	(5.9)
18	20	Black Velvet	Heublein	2,054	1,979	(3.7)
23	21	Early Times	Brown-Forman	1,875	1,970	5.1
25	22	Walker Brandy	Walker (GWL)	1,703	1,766	3.7
20	23	Ten High	Walker (GWL)	1,956	1,760	(10.0)
22	24	Beefeater	Kobrand	1,900	1,755	(7.6)
21	25	Christian Brothers	Fromm & Sichel	1,924	1,725	(10.3)
20	26	Ancient Age	Schenley (RA)	1,956	1,675	(14.4)
27	27	Kahlua	Walker (GWL)	1,550	1,600	3.2
24	27	Kessler	Calvert (S)	1,766	1,600	(9.4)
26	28	Johnnie Walker Red	Somerset (NS)	1,585	1,506	(5.0)
30	29	Old Crow	National	1,287	1,441	12.0
29	30	Southern Comfort	Brown-Forman	1,304	1,312	0.6
28	31	Calvert Extra	Calvert (S)	1,388	1,300	(6.3)
32	32	Old Grand-Dad	National	1,255	1,250	(0.4)
35	33	Old Smuggler	G&W Sales (GWL)	1,098	1,208	10.0
31	34	Wolfschmidt	Seagram	1,262	1,135	(10.1)
34	35	Tanqueray	Somerset (NS)	1,110	1,110	—
36	36	Crown Royal	Seagram (S)	1,025	1,100	7.3
33	37	Chivas Regal	General Wine (S)	1,199	1,075	(10.3)
31	38	Imperial	Walker (GWL)	1,262	1,073	(15.0)
37	39	Castillo Rum	Bacardi	1,019	1,025	0.6
—	40	Bailey's Irish Cream	Paddington (PC)	789	1,000	26.7

Key to parent corporations:

(AB)	American Brands	(GWL)	Gooderham & Worts Ltd.	(RA)	Rapid-American
(G)	Glenmore	(NS)	Norton Simon	(S)	Seagram
		(PC)	Paddington/Carillon		

Source Lehman Brothers
Kuhn Loeb Research

Copyright: John C. Maxwell and Beverage Industry May 6, 1983

Apparent Consumption of Distilled Spirits by Class and Type (Million Mixed Cases)

	1981	1982	Change
Blended	13.98	13.10	(6.3)
100% Light	0.22	0.18	(18.2)
Total Domestic Whiskey	36.92	35.38	(4.2)
Bond	0.90	0.81	(10.0)%
Straight	21.82	21.29	(2.4)
Total Bourbon	22.72	22.10	(2.7)
U.S.-Bottled Canadian	12.85	13.10	1.9
Foreign-Bottled Canadian	8.23	7.90	(4.0)
Total Canadian	21.08	21.00	(0.4)
U.S.-Bottled Scotch	8.16	7.90	(1.9)
Foreign-Bottled Scotch	12.30	11.30	(8.1)
Total Scotch	20.46	19.20	(5.7)
Irish	0.29	0.30	3.4
Total Imported Whiskey	41.83	40.50	(3.2)
Total All Whiskey	78.75	75.88	(3.6)
Vodka	31.55	31.30	(0.8)
Gin	15.41	15.10	(2.0)
Liqueurs/Cordials	13.76	14.10	2.5
Rum	11.74	11.50	(2.0)
Brandy	6.86	7.10	3.5
Tequila	2.89	3.00	3.8
Prepared Cocktails	3.40	3.12	(8.2)
Total Nonwhiskey	85.61	85.22	(0.5)
Grand Total Distilled Spirits	164.36	161.10	(2.0)

Source Lehman Brothers
Kuhn Loeb Research

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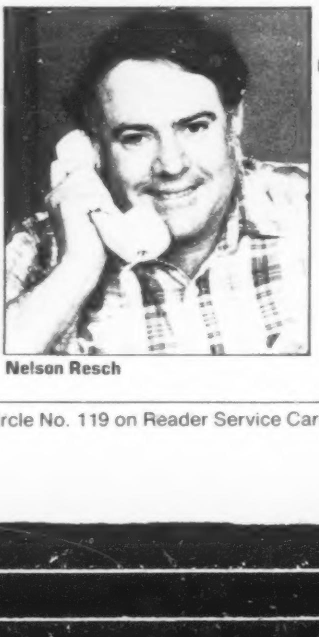
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MAY 20, 1983

Beverage Industry

MARKETING ☐ DISTRIBUTION ☐ TECHNOLOGY

AN HBJ PUBLICATION

Brewers, wholesalers push for Malt Beverage Act

WASHINGTON, DC—After examining recent state court decisions concerning territorial agreements, brewers and wholesalers have concluded that they will need some national legislation to protect them from antitrust attack for such marketing arrangements. Consequently, the Malt Beverage Interbrand Competition Act (H.R. 2262) is once again in the hopper.

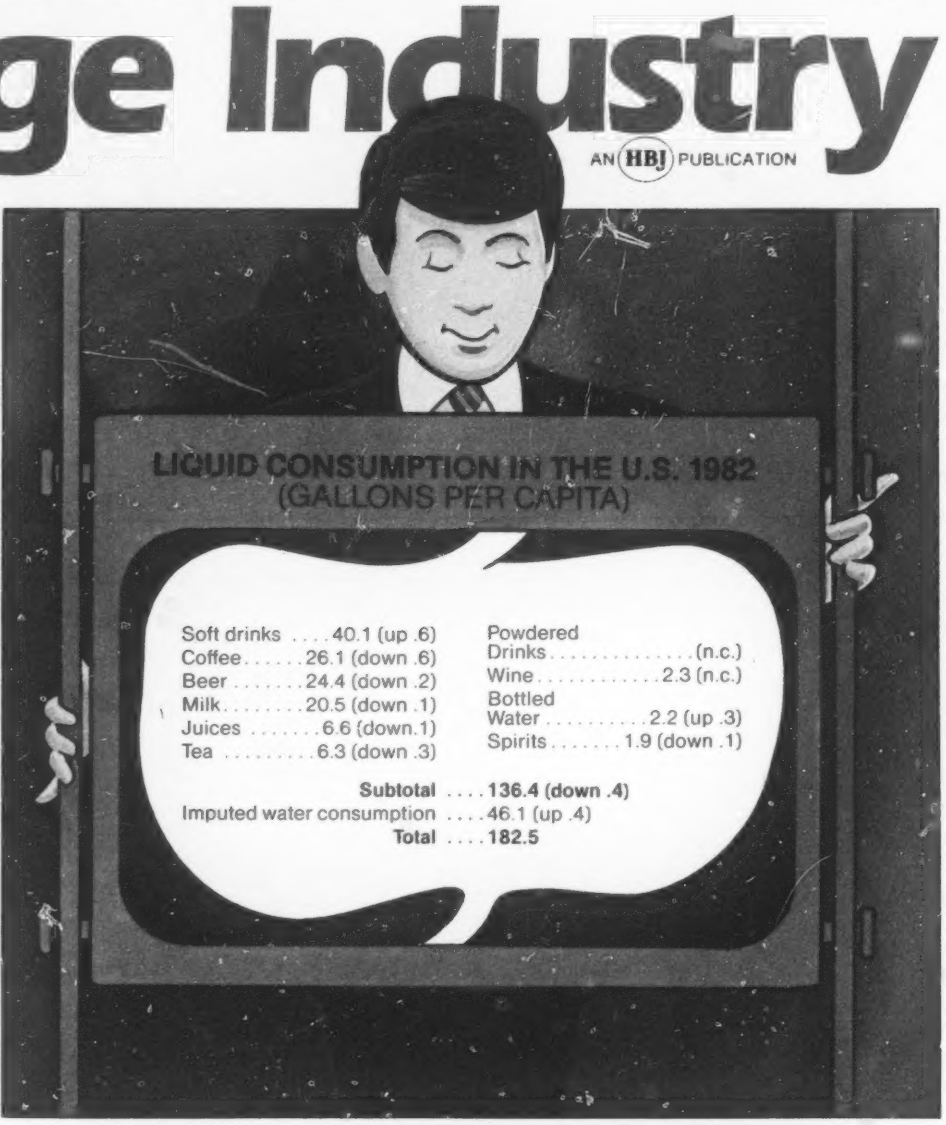
The bill allows for territorial agreements "provided that those beverages are in substantial and effective competition with other malt beverage products within defined geographic area."

The measure specifies that it will not invalidate or affect provisions of state laws, thereby enabling states to "retain their authority to control the distribution and sale of beer and other malt products in whatever ways they deem appropriate," said Rep. Jack Brooks (D-TX), the bill's sponsor in both the 97th and 98th Congresses.

Brewers and wholesalers contend that the legislation will lessen the likelihood of antitrust suits being filed to challenge the legality of territorial agreements, said Frank McNeirney, director of communications for the National Beer Wholesalers Association.

He cited a recent case in New Jersey where the wine and spirits retailers have sued the state's beer wholesalers, their state association and 20 brewers, alleging that they used territories to artificially raise prices. "This is the type of suit that could arise again. But if the bill is passed, it will confirm the legality of these agreements," McNeirney noted.

A companion bill is expected to be introduced in the Senate shortly. While the legislation had many cosponsors in the last Congress, it got stalled in both the House and Senate Judiciary Committees, whose leaders opposed it.



LIQUID CONSUMPTION IN THE U.S. 1982
(GALLONS PER CAPITA)

Soft drinks	40.1 (up .6)
Coffee	26.1 (down .6)
Beer	24.4 (down .2)
Milk	20.5 (down .1)
Juices	6.6 (down.1)
Tea	6.3 (down .3)
Powdered Drinks	(n.c.)
Wine	2.3 (n.c.)
Bottled Water	2.2 (up .3)
Spirits	1.9 (down .1)
Subtotal	**136.4 (down .4)**
Imputed water consumption	46.1 (up .4)
Total	**182.5**

FDA readies OK on aspartame in SDs

WASHINGTON, DC—Soft drink manufacturers would not be presumptuous in anticipating approval for future use of aspartame in their products.

Sources at the Food and Drug Administration (FDA) indicate that it "looks promising" that the agency will approve use of the artificial sweetener in soft drinks "soon."

Aspartame manufacturer Searle & Co. petitioned FDA last August to extend its approval for tabletop use of the sweetener to carbonated beverages.

According to agency procedures, FDA had 90 days to respond to the company, but it realized it could not render a decision in early December and extended its review an additional 90 days.

Technically, Searle should have received an answer from FDA in early March. But at presstime, the agency was still "completing administrative work" on the petition after evaluating additional toxicological data on aspartame.

During its review, FDA had received one comment asking that it examine some of the byproducts formed when aspartame decomposes before reaching a final decision. Another commenter urged that Searle's petition be denied because existing data on aspartame's use in soft drinks, based on the Canadian experience, did not establish a "reasonable certainty" that it posed no harm to consumers.

Despite these caveats, a final decision in Searle's favor is expected shortly, sources say.

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Only water, soft drinks show per capita increase

SPECIAL REPORT—The 1982 recession and decrease in consumer spending has finally showed an impact on beverage consumption in the U.S.

Preliminary per capita consumption figures for 1982 indicate that only soft drinks and bottled water showed any gains during a period considered the worst recession in this country since 1974.

According to **Beverage Industry's** Director of Research/Statistics John Maxwell, because of the weak economy purchasers also drank more imputed (tap) water for the first time since 1974.

The increases experienced by soft drinks and bottled and tap water came at the expense of coffee, beer, milk, juice, tea and distilled spirits. Powdered beverages and wine remained flat.

While per capita consumption of soft drinks increased from 39.5 gallons to 40.1 gallons, Maxwell noted that the majority of the increase came at the beginning of the year with the second half of '82 and the first quarter of '83 being flat. This trend, however, is expected to reverse itself as the economy strengthens and as the soft drink industry continues to introduce new brands.

It appears that both diet and caffeine-free soft drinks

(Continued on page 32)

BI Week

- **Caffeine free versions of Coke, diet Coke and Tab rolled out earlier this month in Denver and Salt Lake City markets. Coke President Brian Dyson sees caffeine free cola segment at 15% of market by year end '84 with Coke brands controlling half of that. 80% national penetration expected by end of '83. Advertising for new caffeine free brands includes 30 second introductory commercials and 10 second tags added to main thrust commercials for regular brands.**

- **The judge's decision in the Coke bottlers hearing was still being awaited at presstime. The hearing on**

(Continued on page 42)

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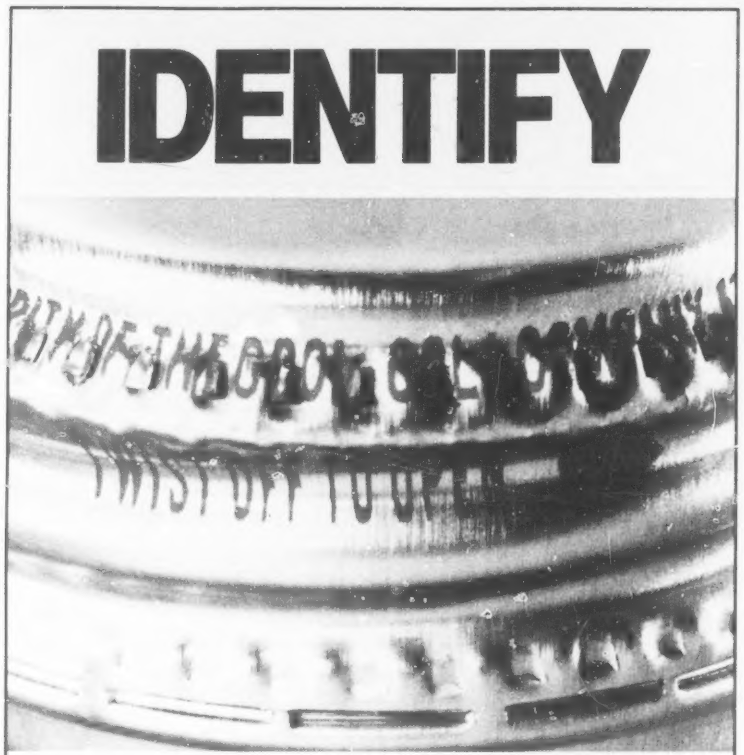

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Vending mix (billion units)

Package	1980	1981	1982	1983	1984	1985
PLSSG	Nil	1.18	1.88	2.42	2.99	3.60
Refillable glass	3.03	2.39	2.33	2.23	2.00	1.55
Plain Non-refillable glass	1.41	1.00	0.50	0.20	–	–
Glass Total	4.44	4.57	4.71	4.85	4.99	5.15
Can Total	7.14	7.31	7.53	7.75	7.99	8.23
Vending Total	**11.58**	**11.88**	**12.24**	**12.60**	**12.98**	**13.38**

Source: Joe Cavanagh Associates

Copyright: Beverage Industry May 20, 1983

Container type	Empty container cost per unit	Empty container cost per ounce	Filled container cost per unit	Filled container cost per ounce
12 oz. metal can	10.0¢	0.833¢	14.8¢	1.23¢
10 oz. PLSSG	7.0¢	0.700¢	11.0¢	1.10¢
16 oz. PLSSG	9.0¢	0.563¢	15.4¢	0.96¢
2-L PET	29.5¢	0.436¢	56.5¢	0.84¢

Source: Joe Cavanagh Associates

Copyright: Beverage Industry May 20, 1983

Glass: vending package for the 80's?

By **Joseph C. Cavanagh,** president,
Joe Cavanagh Associates

Based on a copyrighted paper given at Ryder Conference '83 "Seventh Annual International Conference on Oriented Plastic Containers." A complete set of the papers presented is available from Ryder Associates, (5 Sharon Drive, Whippany, NJ 07981) for $210 (US); $235 (foreign).

By conventional definition, single-service soft drink containers is a total market segment of more than 40 billion unit sales annually. It includes metal cans (about 26 billion, mostly 12 oz.), plastic PET bottles (less than half-billion .5-L), and three types of glass bottles, all .5-L or smaller.

Most of the 5 billion refillable glass bottles are 16 oz. size. The 1.5 billion plain nonrefillable glass is split between 10 and 16 oz. Finally, the fastest growing single-service container in both 10 and 16 oz. size is the prelabeled single-service glass (PLSSG) bottle, estimated at over 7 billion units in 1982.

A year ago, I forecasted that .5-L PET bottles could capture about 7.3% of the market, or about 3.5 billion units by 1985. This was hedged somewhat, at the time, by concern over the ability of the plastic bottle makers to find an economic solution to the shelf-life problem; and their ability and willingness to make the necessary investment.

At present, however, the shelf life problems do not appear to have been solved; the necessary capital investments have not been made, and as far as 1985 is concerned, time is running out.

PET is not likely to reach a level of more than a 5.2% share of a market, or 2.5 billion units; PLSSG is displacing plain, non-refillable and refillable glass at an even faster rate and should reach a 29.3% market share or 14 billion units; metal cans should lose less market share to a level of 60% or 28.9 billion units.

Within the single-service soft drink market are several sub-markets, each with its own specific requirements. These sub-markets are often broadly classified as off-premise markets and on-premise markets.

Supermarkets, beverage distributors, delicatessens, Mom and Pop stores are generally considered to belong to the off-premise market, where single-service beverages are purchased in six and 12 packs or full cases for consumption elsewhere, usually at home.

The metal can has about 48% of this market, refillables about 28% and nonrefillables (mostly PLSSG) about 23%. Half-liter PET is still under 1%.

In total, this sub-market accounts for over 20 billion units, or about half of all single-service units sold.

The on-premise market includes bar and restaurants where a wide variety of packaged soft drinks are sold.

This does not include fast-food outlets, which, almost without exception serve premixed or post-mixed bulk drinks in paper cups. The packaged on-premise submarket was once dominated by refillable glass bottles, but is rapidly being replaced by 10 oz. and 16 oz. PLSSG, with very little can usage.

vending

An additional major submarket for packaged soft drink sales is the vending market. The packaged soft drink vending machine commands a special category, bridging on-premise locations and other food service establishments, as well as shopping plazas, gasoline stations and more than 38,000 convenience stores, which offer single-unit cold bottle or cans sales through coin-operated vending machines .

The first 30 years of soft drink vending was composed of 100% refillable bottles, mostly 6½-oz. in capacity, sold at 5¢, and sold mostly by Coca-Cola bottlers.

In 1964 two significant events occurred to change matters. Prices generally went to a dime, with a variety of glass bottle sizes and shapes introduced with capacities ranging from 6 to 16 oz. Of greater significance, however, was the introduction of metal can vendors, initially at 10¢, but soon rising to 15¢ for 12 oz. of product.

The metal can vendor became an instant success story, and, by 1970, soft drink vending had become a $1 billion retail market with cans capturing 32% of unit sales, 38% of the dollar sales with only 24% of the approximately 1 million vending machines on location in the U.S.

By 1980, the metal can share rose to 62% of an 11.5 billion unit volume; 69% of an almost $4 billion volume; with only 47% of the 1.5 million machines on location.

From a can manufacturing standpoint, this volume of over 7 billion cans represented about 28% of all soft drink cans shipped in 1980.

From a glass making standpoint, however, the estimated 4.4 billion units vended were only two-thirds refillable glass, and therefore required only about 1.6 billion units of new glass bottles. Metal cans were outperforming glass in the vending sector close to 4½ to 1.

Virtually every survey that

About the Author

A native of New York City, Cavanagh attended Queens College, City College and Fordham University, and graduated with a B.S. in Chemistry.

Cavanagh has served in various executive positions with Kienle & Co., the American Can Co., Consolidated Cork and Midland Glass.

In 1977, he founded the packaging consulting firm of Joe Cavanagh Associates, which provides a variety of services to many leading packaging companies, chemical producers and machinery makers. Cavanagh is a professional member of the Packaging Institute, USA.

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Glass and can vending margins

Container	10 oz. PLSSG	12 oz. Can	16 oz. PLSSG	10 oz. PLSSG	12 oz. Can	16 oz. PLSSG
Unit vended price	35¢	40¢	45¢	40¢	45¢	50¢
Vended price per ounce	3.5¢	3.35¢	2.813¢	4.0¢	3.75¢	3.125¢
Margin per unit	24¢	25¢	30¢	29¢	30¢	35¢
Margin per ounce	2.4¢	2.1¢	1.8¢	2.9¢	2.5¢	2.2¢
Margin as a percent of product and package cost	218%	170%	192%	264%	204%	225%

Source: Joe Cavanagh Associates

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May 20, 1983

I have seen over the years has indicated that consumers overwhelmingly prefer soft drinks directly from a glass bottle rather than a metal can, when a choice is available. The overall soft drink vending machine market was obviously running counter to this proposition.

There are several reasons that help to explain this anomaly in soft drink vending:

- Unlike can vendors, which were standardized to accept a single 12 oz. can size, glass vending machines were built in a wide variety of sizes and shapes, with each machine often limited to a single product.
- Can vending machines could hold up to three times as many units over glass, thus making them more efficient from a servicing standpoint, and less likely to run out of product.
- Most glass vending machines were designed for refillable bottles, which are low-cost packages only when the bottles are returned for refilling for at least a dozen trips. If refillable bottles are carried away from the machine and disappear from the float, they become the most costly form of packaging.

standardize

The answer, of course, was to standardize the bottle size and shape, so that machines could be built to hold more bottles, and the same machine design could be built for all soft drink brands.

Actually, a standardized pre-labeled nonrefillable bottle shape was developed in two single-service sizes. Ten-oz. PLSSG can be stacked for vending with essentially the same number of units as a 12-oz. can vendor. The 16-oz. PLSSG vendors hold roughly three-fourths as many units as can vending machines, putting glass essentially at parity with cans.

In order to get this program off the ground, 12 major glass bottle makers formed the Glass Vending Assn. in 1980. In addition to working with vending machine manufacturers to build more efficient machines, from the sale of PLSSG, to bottlers to assist them in purchasing approved bottle vending machines; change parts for other machines; and more recently, certain types of shelf organizers for use in convenience store cold bottle display cases.

In 1981, the first year of the operation, about 6,000 new PLSSG qualifying vending machines were installed plus about 66,000 machine conversions. The second year produced about 12,000 new approved machines plus over 150,000 conversions. As of January 1, 1983, it is estimated that over 20,000 new PLSSG vendors are in place with over 230,000 converted machines on location. There still remains over 500,000 old-type glass machines.

The success of PLSSG in the vending market can be shown by its growth from essentially zero unit volume in 1980 to 1.18 billion in 1981, and 1.88 billion in 1982, and projected 1.42 billion units in 1983.

Most of this growth came from displacement of refillable glass; some plain nonrefillable glass, and a slowdown in the growth rate of metal cans. As additional new PLSSG vendors are installed, and additional conversions are made, PLSSG is expected to continue to

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Single service soft drink containers 1982-1985

Container type	Market Share		Billion Units	
	1982	1985	1982	1985
Metal cans	65.2%	60.3%	25.9	28.9
Pre labeled single service glass	17.6%	29.3%	7.0	14.0
Refillable glass	12.6%	4.2%	5.0*	2.0*
Plain non refillable glass	3.8%	1.0%	1.5	0.5
PET .5-L Plastic	0.8%	5.2%	0.3	2.5
Total fillings	**100.0%**	**100.0%**	**39.7**	**47.9**
Total new container shipments	**100.0%**	**100.0%**	**35.2***	**46.1***

*Assuming 10 trips; only 500 million for 1982, and 200 million for 1985, new bottles required.

Source: Joe Cavanagh Associates

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gain market share in the vending sector.

market strategy

By being able to price bracket the 12 oz. can with efficient 10 and 16 oz. vended bottles, the bottler gains a great deal of pricing flexibility and opportunity for profit in the vending market.

First, it should be pointed out, that the vending machine market is essentially a full-selling price market without the competitive discounting, couponing and other price-dealing that is prevalent in the supermarket business, especially with the family size 2-L bottle.

There are, of course, distribution costs, rental payments, etc., that are peculiar to vending, but for the most part, these costs are negotiated on a reasonable long-term basis, or depend on the efficiency of the bottlers own operations, and therefore are under his control.

bottler/parent relationship

The parent company-franchise bottler system that exists in the soft drink industry has led to some strange relationships between the parent and the bottler, and some strained relationships, when the objectives of both parties do not coincide.

For example:

- The parent company sells the bottler a flavor concentrate, or in some cases, concentrate with sweetener added; it's generally called syrup. Concentrate costs range from about 15/100 of a cent per fluid oz. of final product. Syrup costs are about 36/100 of a cent per ounce of finished product. The objective of the parent company is to maximize the sale of concentrate or syrup sales volume.
- The bottler who buys concentrate must also buy his sugar and/or corn sweetener at a cost of between 16/100 and 2/10 of a cent per oz. In addition, both the concentrate bottler and the syrup bottler buy carbon dioxide and water so that their total costs come to about 4/10 of a cent per ounce of finished product for raw materials.
- The bottler also purchases various types of containers, (each type of package must have parent company approval) into which he packages the finished product.

The material and package costs for the bottler, although varying somewhat due to container discounting are shown in chart on page 29.

vending machine pricing

As previously mentioned, vending machine sales are generally at full price. This is largely because the sale is often made to a captive audience, as in a plant cafeteria, gasoline station or the like. The operator can soon determine the pricing level that optimized his margin, consistent with his investment and servicing costs.

Consider two typical vending situations where cans are sold at 40 cents and 45 cents. 16 oz. PLSSG is sold at 45 and 50 cents (5 cents more); and 10 oz. PLSSG at 35 cents and 40 cents (5 cents less than cans). The margin over product and package costs are shown in chart on page 29.

The best percentage margins a bottler can achieve in these pricing situations are with 10 oz. PLSSG (218 to 264%). This package is also the lowest unit cost if the consumer is satisfied with 10 oz. of product. The second best bottler margins (192 to 225%) are made with 16 oz. PLSSG. This package also becomes the best customer buy per ounce, if the consumer wants as much as 16 oz.

vending vs. supermarket

In the typical supermarket segment, pricing varies over wide ranges, because of couponing and other heavy discounting. Two-liter pricing ranges at a retail from 89 cents to $1.39; or 1.317 cents per oz. to 2.056 cents per ounce generating margins from 36.5% to 59.4%. 16 oz. PLSSG pricing ranges from $1.69 to $2.29, or 1.76 cents to 2.385 cents per oz., and generates margins from 82.9% to 148.0%. 12-oz. cans priced at from 99 cents to $1.99 per six-pack, or 1.38 cents to 2.764 cents per ounce; generate margins from 11.5% to 12.4%.

While margins are much lower in the supermarket sector of the business it represents about half of all packaged soft drink volume.

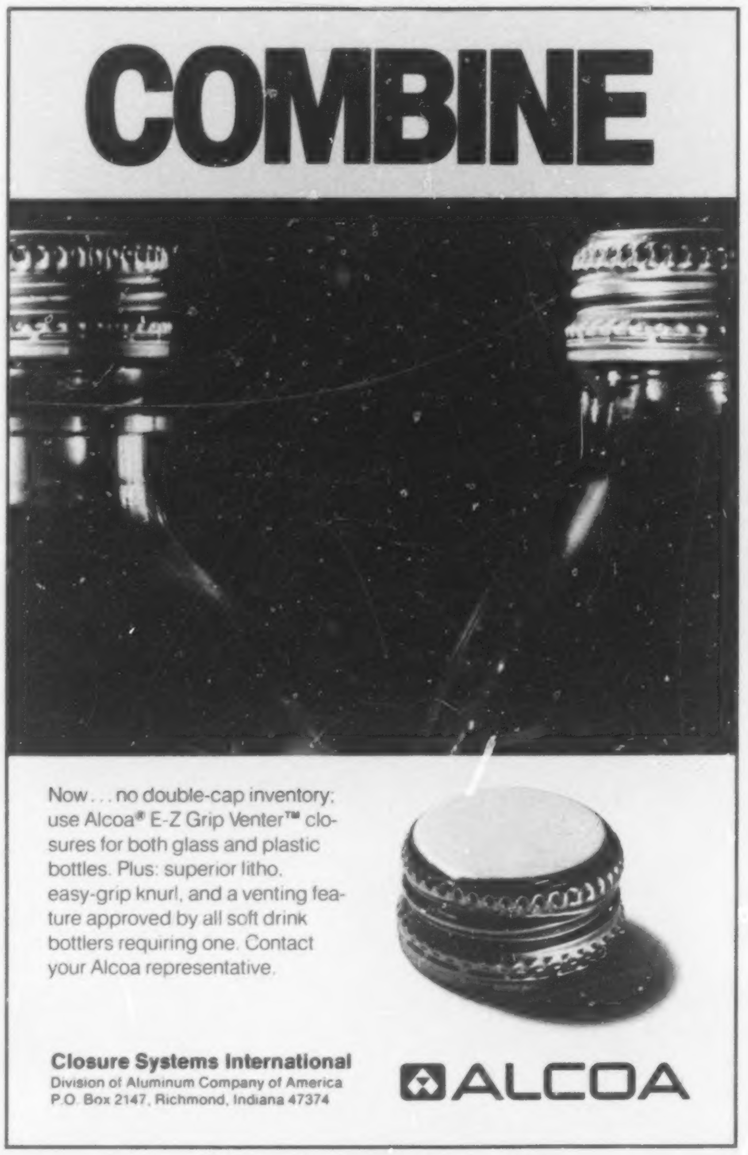
The parent companies tend to foster this sector, seeing it as an area for sustained growth in total volume.

Discounting, coupled with the poor product quality associated with 2-liter PET has tended to erode brand loyalty and has probably destroyed any hope of achieving satisfactory pricing levels in the 2-L family-size market. With any revival of the economy, six-pack can and bottle margins should generally improve in the supermarket sector.

Pre-labeled single-service glass bottles enjoying a combination of consumer preference and high margins in the vending machine market should ensure glass growth through this decade. It is expected that bottlers will continue to introduce new glass vending machines as well as to continue their machine conversion program.

Possible bottler and consumer acceptance of a .25-L, 10 oz. or 16 oz. wide mouth (43mm) glass bottle as a vending machine package could further accelerate the growth of sales in this market.

The major threat to the growth of glass in the vending market could come from the successful development of an economic plastic bottle in sizes between one-quarter and one-half liter, with adequate shelf life and taste protection qualities. If these criteria can be met, the consumer perception of safety in handling and disposal generally associated with plastic may be sufficient to tip the scales against glass. As of this time, such a plastic bottle does not exist in the marketplace.



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Kaiser sells can mfg. plants to National Can

OAKLAND, CA—Kaiser Aluminum & Chemical Corp. headquartered here, has decided to get out of the beverage can manufacturing business and instead concentrate on being a primary supplier of aluminum can stock, according to John Cashel, Kaiser's manager of corporate communications.

The company recently sold off the assets of two Kaiser Aluminum can plants and a lid-making facility to National Can Corp. of Chicago for an undisclosed sum. The two-piece aluminum can body manufacturing plants are located in Jacksonville, FL, and Houston, TX; the lid-making facility is in Wanatah, IN.

Kaiser is also currently in negotiations with the Continental Group of Stanford, CT, to sell off its two remaining can manufacturing plants, one in Union City, CA, the other in Edison, NJ, according to Cashel.

Estimated tea sales trends

(million lbs.)

	1977		1978		1979		1980		1981		1982	
	Amount	Pct.	Amount	Pct.	Amount	Pct.	Amount	Pct.	Amount	Pct.	Amount	Pct.
Iced Tea	107.64	67.7%	106.18	68.5%	105.26	68.4%	106.16	68.1%	105.06	67.3%	103.55	66.8%
Hot Tea	51.36	32.3	48.82	31.5	48.74	31.6	49.84	31.9	50.94	32.7	51.45	33.2
Total	**159.00**	**100.0%**	**154.00**	**100.0%**	**156.00**	**100.0%**	**156.00**	**100.0%**	**156.00**	**100.0%**	**155.00**	**100.0%**

Estimated wine consumption

(gallons per capita)

	1976	1977	Change	1978	Change	1979	Change	1980	Change	1981	Change	1982	Change
Domestic	1.459	1.510	3.5%	1.726	14.3%	1.742	0.9%	1.806	3.7%	1.847	2.3%	1.821	(1.4)%
Imported	0.273	0.313	14.7	0.421	34.5	0.408	(3.1)	0.449	10.0	0.493	9.8	0.525	6.5
Total	**1.732**	**1.823**	**5.3%**	**2.147**	**17.8%**	**2.150**	**0.1%**	**2.255**	**4.9%**	**2.340**	**3.8%**	**2.346**	**0.3%**

U.S. Liquid consumption trends

(gallons per capita)

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
Soft Drinks	19.1	20.3	22.3	23.5	24.8	25.9	27.0	28.6	30.1	31.5	31.4	31.0	33.7	35.9	37.1	38.1	38.8	39.5	40.1
Coffee*	38.8	37.8	37.4	37.0	37.0	36.2	35.7	35.3	35.2	35.1	33.8	33.0	29.4	28.0	27.0	27.7	26.8	26.7	26.4
Beer	15.9	15.9	16.5	16.8	17.3	17.8	18.5	19.2	19.7	20.5	21.3	21.6	21.8	22.5	23.1	23.8	24.3	24.6	24.4
Milk	25.9	26.0	25.9	25.3	25.6	25.3	23.1	23.0	23.1	22.7	22.0	22.3	22.1	21.9	21.6	21.4	20.9	20.6	20.5
Juices	3.5	3.8	4.0	4.8	4.7	4.8	5.2	5.7	6.1	6.1	6.2	6.9	6.9	6.9	6.6	6.7	6.9	6.7	6.6
Tea	4.8	4.9	5.2	5.1	5.3	5.2	5.5	5.8	5.9	6.3	6.2	6.2	6.4	6.9	6.7	6.6	6.6	6.5	6.3
Powdered Drinks	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	4.8	5.5	5.9	6.1	6.0	6.0	6.0	6.0
Wine	1.0	1.0	1.0	1.0	1.1	1.2	1.3	1.5	1.6	1.7	1.7	1.7	1.7	1.8	2.1	2.2	2.3	2.3	2.3
Bottled Water	NA	NA	NA	NA	NA	NA	NA	1.1	NA	NA	NA	1.2	1.2	1.3	1.4	1.5	1.6	1.9	2.2
Distilled Spirits	1.4	1.5	1.6	1.6	1.7	1.8	1.8	1.9	1.9	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.9
Subtotal	**110.4**	**111.2**	**113.9**	**115.1**	**117.5**	**118.2**	**118.1**	**122.1**	**123.6**	**125.8**	**124.6**	**130.7**	**130.7**	**133.1**	**133.7**	**136.0**	**136.2**	**137.0**	**136.7**
Inputed Water Consumption+	72.1	71.3	68.6	67.4	65.0	64.3	64.4	60.4	58.9	57.6	57.9	51.8	51.8	49.4	48.8	46.5	46.3	45.5	45.8
Total	**182.5**	**182.5**	**182.5**	**182.5**	**182.5**	**182.5**	**182.5**	**182.5**	**182.5**	**182.5**	**182.5**	**182.5**	**182.5**	**182.5**	**182.5**	**182.5**	**182.5**	**182.5**	**182.5**

* Coffee data is based on a three-year moving average to counterbalance inventory swings, thereby portraying consumption more realistically.
+Includes all others.
R=Revised.
NA=Not available.

Sources: USDA; DSI; USBA; ABWA; LBKL Research estimates.

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May 20, 1983

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Consumption

(Continued from page 1)

will continue to be the leading growth area in the market. *(See* ***BI****, April 22.)*

The diet segment is approaching 15% of the market and new caffeine-free brands are hitting the market.

Dr Pepper recently added a version of Pepper Free with sugar to go with its no-sugar version. Later this year, Coke is introducing caffeine-free brands. Others can't be far off. Consequently, the industry can expect some growth reflected in '83's figures, according to Maxwell.

Wine consumption *(see chart)*, relatively unchanged since 1980, experienced some shifts within the category. Despite the introduction of light and soft wines, as well as the expanding packaging mix, per capita consumption of domestic wines was off by 1.4%, according to Maxwell. Imported wines, on the other hand, increased for the third consecutive year, yet they still only constitute approximately 1/4 of all wine consumed.

A spokesman for the Wine Institute, a California trade association, declined comment on the decline of domestic wines, but disagreed with the figures.

Their figures showed that domestics were off .2% and California wines were up .1% California wines represent just under 70% of the domestic wine market.

Many are pointing to the invasion of European wines into the U.S. market as one of the major factors in the reduction of per capita consumption of domestic wines.

The beer industry is having similar problems. Total industry sales increased only .4%, but the per capita consumption dropped from 26.7 to 26.4 gallons, according to Maxwell.

Imports were one of the few growth areas for the beer market, but they only represent 3.1% of the market and are growing slowly. Light beers were another growth category for the year. They increased from 13.8% of the market to 17.4% in 1982. But other areas didn't do as well.

Furthermore, Maxwell predicted that '83 volume will also be flat because "the rate of increase in beer consumption has been slipping for years and demographics are also becoming rather adverse."

Per capita consumption of distilled spirits dropped from 2 to 1.9 gallons. It was the first change in per capita consumption since 1974, but this drop was no surprise since this is the third straight year volume has dropped. *(See* ***BI****, May 6.)*

In 1982, the industry was off 2% in volume. Maxwell attributed the decrease to the economy and lifestyle changes. In addition, Maxwell didn't foresee much improvement in the future.

He did note that premium brands continued to sell well as did the brands at the low end of the market.

"That's due to the economy. The rich get richer and

Safety devices for kegs introduced in CA

NORTHRIDGE, CA—Draft Systems' "TIP-UP" offers the first fully insured safety device available for American beer and wine keg dispensing systems.

An acronym for "Total Indemnity Paid-Up Permanently," the trademarked name refers to terms of the policy which provides up to 5 million dollars coverage per occurrence on damage to property, personnel or customers for the life of the "TIP-UP." The insurance becomes invalid only if the special insurance seal is broken or the unit is tampered with in any other way.

Attached on one end to the primary regulator and on the other to the keg, "TIP-UP" includes a frangible burst disc, transparent sight chamber, preset secondary regulator and back flow preventor.

"Draft Systems developed 'TIP-UP' because we saw a need for it in the industry," says Mert Fallon, president, at the company's headquarters here. "Almost every other country except the United States has stringent laws regarding keg dispensing safety. They either require a primary regulator, frangible disc and secondary regulator or two regulators in parallel so that no one failure can lead to a dangerous situation."

The "TIP-UP" is based on that principle. If it is properly installed and unaltered, massive failure on the primary and secondary regulators and frangible discs would have to occur instantaneously to cause any damage.

With this in mind, Draft Systems decided to explore the feasibility of insuring the unit as a feature to attract potential customers. They approached an insurance company that did major laboratory testing on the prototype of the "TIP-UP" and proclaimed it a good insurance risk.

The introduction of "TIP-UP" also coincided with two major developments in the draft industry.

California became the first state to mandate that frangible burst discs must be installed in every keg dispensing system. The law, passed last September, will be enforced and fines levied after January 1, 1984.

At the same time, vintners, such as Anheuser-Busch Wines, Inglenook and Paul Masson, began test marketing wine dispensed from kegs. The properties of the nitrogen necessary to run the wine through the system need two regulators to assure a steady flow of the wine. Because of this and the new California law requiring frangible burst discs, the wineries have included the "TIP-UP" in their specifications, giving them a fully insured dispensing system from the beginning.

insured

For $14, the cost of each unit, distributors are insured for any damage on the tank or caused by it," points out Bob Ross, Draft Systems' sales manager. "They also have the potential of lowering their individual disaster insurance rates because it gives them a separate policy for pressure-related damage from kegs."

Draft Systems lists each distributor who buys "TIP-UPs" as secondary insured on their master policy.

"TIP-UP" includes a series of safeguards that render the current beverage system fully fail-safe. Serving as a malfunction indicator, it monitors the system continuously. In the event of a failure in the system, the safety device forces a shut-down until restorative action is taken.

Its major components are Draft Systems' Kegard connected by a transparent sight chamber to the Keg Save: and a back flow preventer.

Kegard, the company's fail-safe pressure line rupture disc is a frangible burst disc designed to rupture between 75 and 85 PSI. If it fails at all, it will fail on the down, rather than the hazardous, side. Should it, or any other part of the "TIP-UP" fail, the unit must be replaced.

holes vent tank

Small holes located around the diameter of the circular Kegard have the capacity to vent the tank pressure at 10 times the rate it is coming out. This provides more than sufficient capability to exhaust all the CO_2 or nitrogen in the cylinder.

One significant aspect that sets Kegard apart from similar safety devices is that it is not a mechanical unit and has no spring or moving parts which have more potential of breaking down.

The Keg Saver, a preset secondary regulator, was designed to protect the product from over-pressurization due to primary regulator failure or tampering by unqualified personnel.

simplicity

The "TIP-UP" is representative of Fallon's major philosophy of simplicity in design which is applied to all Draft Systems products. "The fewer moving parts the less things can go wrong," he says. "For example, we avoid threaded equipment because it can be cross-threaded."

Fallon is also a firm believer in the principle that the fewer component parts a machine has, the easier it is to use, maintain and understand, both for the operator and draft installation person. All Draft Systems products were designed to be installed or dismantled effortlessly with the usual wrenches and other implements a draft salesperson carries.

Consequently, the "TIP-UP" can easily be inserted into any existing beer keg system with no special tools necessary.

- For more information on **Draft Systems "TIP-UP,"** circle no. 136 on reader service card.

Rutgers to hold 4 packaging seminars in NJ

PISCATAWAY, NJ — The Ira S. Gottscho Packaging Information Center, a division of the Center for Packaging Engineering at Rutgers University, will be holding four packaging seminars this summer at the Busch Campus Center here: Wednesday, June 15, "Permeation and Leakage;" Thursday, June 16, "Evaluation of Closures;" Wednesday, July 20, "Introduction to Plastics Properties for Packaging Applications;" Thursday, July 21, "Evaluation of Plastic Containers."

Dr. Darrell R. Morrow and Dr. Mary A. Amini will be the faculty.

For more information, contact Ira. S. Gottscho Packaging Information Center, Rutgers-The State University of New Jersey, College of Engineering, P.O. Box 909, Piscataway, NJ 08854; 201/932-3044.

Consumption

(Continued from page 32)

the poor get poorer," Maxwell said.

The lack of growth in the wine category, as well as the decrease in per capita consumption of beer and distilled spirits reflect the current trend away from alcoholic beverages, according to Maxwell.

This trend was first pointed out a year ago by industry observers, who also predicted an increase in the growth of bottled water as consumers become more health conscious. The figures in the charts bear out these predictions. This is the sixth consecutive growth year for the bottled water industry and observers expect this trend to continue.

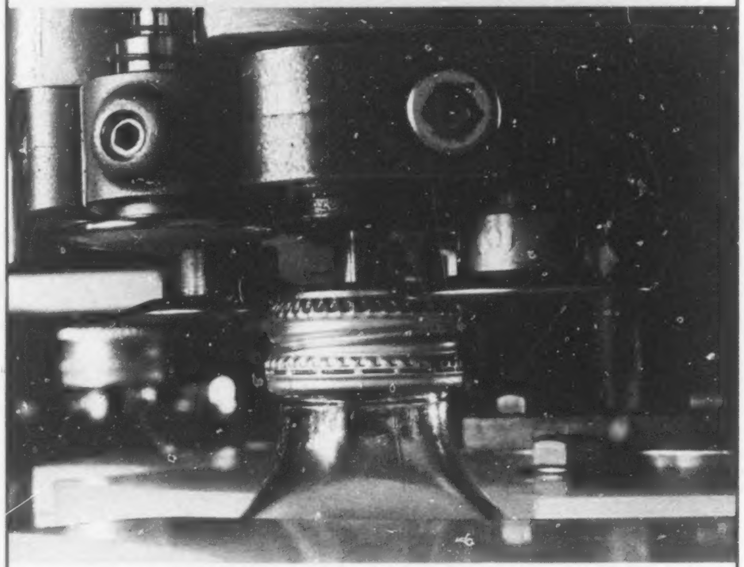
But it's not only alcoholic beverages that are having their problems. Coffee consumption continued to drop as it has every year since 1962, according to Maxwell. Per capita consumption dropped from 26.7 to 26.4 in 1982.

"We see no immediate signs of a turn in coffee consumption, although the rate of decrease is certainly abating," said Maxwell. The same can be said for tea, which dropped from 6.5 to 6.3 gallons per capita in 1982.

projections

Overall, Maxwell continues to project that it will be the cold and sweet drinks that will remain popular to the consumers. In addition, he believes lifestyle changes will continue to make alcoholic beverages less popular since people appear to be more health-oriented and concerned about what they consume.

ROLL-ON



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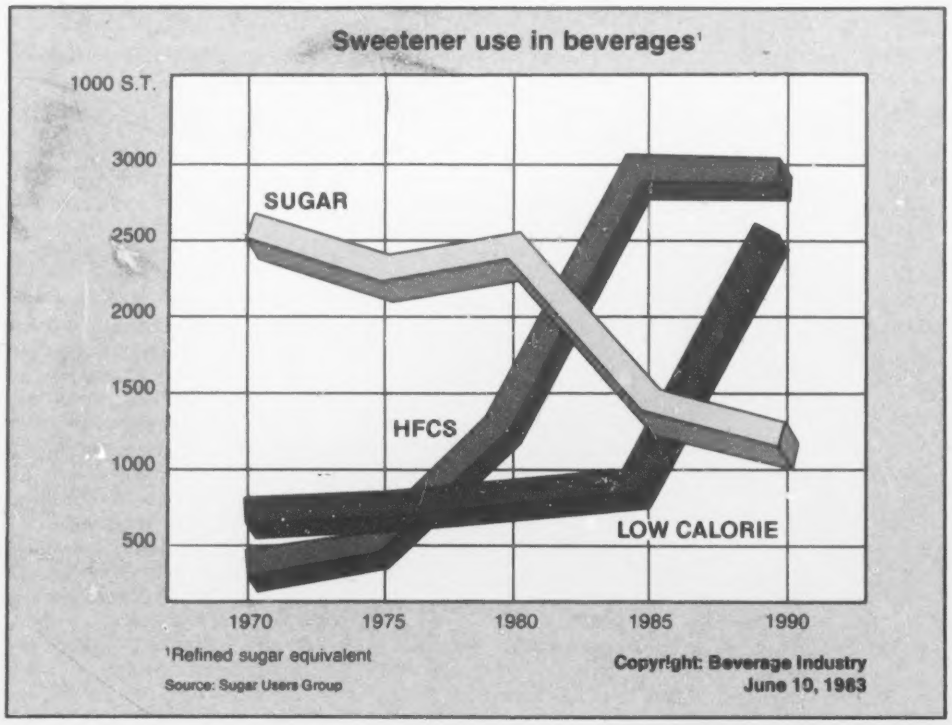
SOFT DRINKS ☐ BEER ☐ BOTTLED WATER ☐ WINE ☐ POWDERS ☐ JUICES ☐ SPIRITS JUNE 10, 1983

Beverage Industry

MARKETING ☐ DISTRIBUTION ☐ TECHNOLOGY AN (HBJ) PUBLICATION



[1]Refined sugar equivalent

Source: Sugar Users Group

Copyright: Beverage Industry June 10, 1983

Sweeteners spark further segmentation

By Gary Hemphill

SPECIAL REPORT — In the past, the soft drink industry's segmentation has been along the lines of flavors. Today, the segmentation is taking place on the ingredient level.

Instead of a new flavor, we have a caffeine-free version of an existing flavor. Tomorrow: a new sweetener for that product.

Hopes are high that this further segmentation can create added growth in the industry.

Roberto C. Goizueta, chairman of the board and CEO of The Coca-Cola Co., told SSDT members in April, "Soft drinks have grown from a soda fountain confection to this nation's number one commercial beverage.

"And this was done by our never being content merely to satisfy yesterday's markets. Instead, we have gathered every opportunity to create new markets.

"That's what our industry is all about — creating new markets — creating new consumers of our products by carving out new markets," he added.

A big part of this segmentation should take place with sweeteners.

The announcement by Pepsi-Cola that it will authorize 50% utilization of HFCS 55 in its bottled and canned products signals the last big blast in the marketing and segmentation battles which many key executives have predicted will take place

(Continued on page 10)

Ingredient labeling rule challenged in dist. court

WASHINGTON, DC — A district court ruling requiring the government to reinstate its alcohol ingredient labeling rule next February has been appealed by the Bureau of Alcohol, Tobacco and Firearms (ATF), the Wine Institute and the Distilled Spirits Council of the U.S.

The rule, originally issued in June 1980 and rescinded in November 1981 under the Reagan administration's regulatory review, requires alcoholic beverage manufacturers to list their products' ingredients on the container or provide an address on the label where consumers can obtain this data.

In a suit filed in March 1982, the Center for Science in the Public Interest alleged that ATF's rule rescission

(Continued on page 23)

Alcohol ads again under scrutiny by consumers

WASHINGTON, DC — In a plea for increased regulatory muscle, a Federal Trade Commissioner and a consumer group have asked Congress to direct the Consumer Protection Agency to reopen an investigation into alcoholic beverages advertising practices.

Commissioner Michael Pertschuk recently told the Senate Commerce Committee that FTC should examine the extent to which beer, wine and liquor advertisers "may be encouraging the consumption of alcohol by highly vulnerable groups, particularly young and heavy drinkers."

The agency began investigating these issues in 1976, zeroing in on Anheuser-Busch and Somerset Importers based on allegations that the two companies may have been in research to target ads toward problem drinkers.

Although the commission voted to drop the inquiry last year, the Center for Science in the Public Interest (CSPI) has released a memo from FTC's New York regional office in which its staff asserted that the data it collected "indicated that these two companies might have developed and disseminated advertisements especially designed to appeal to actual or potential alcohol abusers." Nevertheless, the staff shied away from investigating the two companies when "it appeared that the promotional practices questioned might be widespread in the industry."

CSPI charged that FTC's investigation was aborted due to political reasons, which FTC claims is "absurd." However, the consumer group stressed that "the industry's efforts to treat problem drinkers as their best customers and urge through advertising to drink even more, represent outrageous conduct that must be fully investigated and brought to a halt."

CSPI cited Michelob's slogan "Put a little weekend in your week," as an example of a statement that is "highly supportive of a heavy drinker's daily drinking style."

The United States Brewers Association said CSPI's allegations were "nonsense," and the Distilled Spirits Council of the U.S. added that the statements are "the opposite of the truth. Responsible officials and agencies of the federal government have praised the industry for its unique and responsible efforts to maintain high standards in advertising and to encourage moderate use of our products."

At presstime, the Senate Commerce Committee had no immediate plans to pursue the request to reopen the investigation.

BI Package of the Week

Caffeine Free
Coke
Caffeine Free
diet Coke
SUGAR FREE
CAFFEINE FREE
Tab

Coke caffeine free colas target 50% of segment

By Holly Klokis

NEW YORK—Coca-Cola USA has finally done the expected: caffeine free Coke, diet Coke and Tab have been introduced in Denver and Salt Lake City, in what the company hopes will pave the way for the cola giant to take a lion's share of yet another market segment.

Speaking at a recent press conference here, Coke USA President Brian Dyson estimated the current caffeine free cola market share at 7-8%. With the introduction of Coke's three caffeine free brands, said Dyson, Coke expects to double the category by 1984, taking 50% of it with the new products.

As it did with the introduction of diet Coke, Coca-Cola plans to pursue the market aggressively, reaching 80%

(Continued on page 9)

BI Week

• NSDA preliminary sales data for 1983 reveals a 5.7% increase in wholesale value to $21.2 billion and a 2.7% increase in gallonage, to 4.1 million cases. Per capita reached 419.5. Units shipped were up 2.4%; bulk, 4.7%; and packaged 2.4%.

Bulk made up 22.7% of the market — 83.4% postmix and 16.6% pre-mix — and packaged was 77.3%. Plastic containers accounted for 21.4% of the packaged market; one-way bottles, 15.7%; cans, 36.5%; and refillables — the only

(Continued on page 35)

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Contents

More non-nutritive sweeteners for '83?

A special **BI** report focusing on the current sweetener and ingredient market reveals that this year, the soft drink industry's main area of segmentation is taking place on the ingredient level, not the flavor level as in previous years.

Hopes are high that further segmentation can create added growth in the industry, the report says.

On the horizons are a number of noncaloric sweeteners, which should add to this segmentation in the sweetener category, according to the report, which quotes several industry experts. See **page 1.**

Coke jumps on no-caffeine wagon

Caffeine-free Coke, diet Coke and Tab have been introduced in the Denver and Salt Lake City areas, giving the Coca-Cola Co. a chance to jump on the caffeine-free bandwagon.

At a recent press conference in New York City, Coke-USA president Brian Dyson announced the development of the brands. See **page 1.**

Packaging industry shows decline in '82

The Tenth Annual Container Conference was held recently in New York City, and it was learned the packaging industry had just come off its second unimpressive year in a row. However, industry analyst Art Stupay of Prescott Ball & Turben sees a better future for the industry than '82 showed.

Over-capacity for glass, low [illegible]g rates for cans, [illegible] apacity packag[illegible]ion rates and high discounting of PET resulted in total volume to be flat-to-down in 1982. See **page 4.**

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IFT meeting, expo slated for mid-June

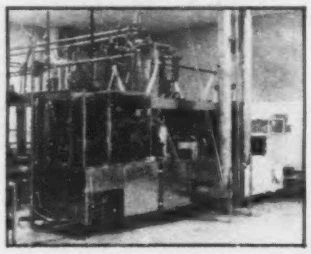
A record number of guests and exhibitors are expected to be on hand in New Orleans for the 43rd Annual Meeting of the Institute of Food Technologists, which will be held June 19-22 in the New Orleans Superdome.

The meeting and food expo will feature more than 20 symposia, programs and poster sessions, with more than 500 papers to be presented.

The meeting opens Sunday evening June 19, in the Regency Ballroom of the Hyatt Regency. Deadline for preregistration has passed, but walk-in registration will be accepted. See **page 13.**

Aseptically-packed apple juice debuts

Indian Summer, one of the largest apple juice/apple cider processors in the U.S., launched into aseptic packaging at its plant in Sodus, NY, last month. Based in Winnetka, IL, the company has committed some $2 million for installation of two aseptic packaging lines.



Presently, Indian Summer markets products in over 26 states. See **page 16.**

Hackney and Sons introduces "Combo"

While implementing environmental controls could present a hurdle for some distributors, Hackney and Sons, Inc. is offering delivery vehicles which can help them solve the short term problems.

These units, called "Combo" units, feature both insulated/refrigerated bays and conventional bays, all in one unit. See **page 23.**

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The Angelus 61H does a superb seaming job at more modest speed levels—up to 600 cans per minute.

These three machines have a lot in common that make them real profit-makers. They can maintain their maximum production rates through long runs during peak periods. That's because they all have virtually automatic lubrication to minimize downtime (semi-automatic system on the seaming rolls). And they all are built to high Angelus quality standards—backed by more than 70 years experience. Of course there are many other Angelus machines, each one production matched to specific requirements. Write for information—stating your products, can sizes, and production rates. Angelus Sanitary Can Machine Co., 4900 Pacific Blvd., Los Angeles, CA 90058 • (213) 583-2171.

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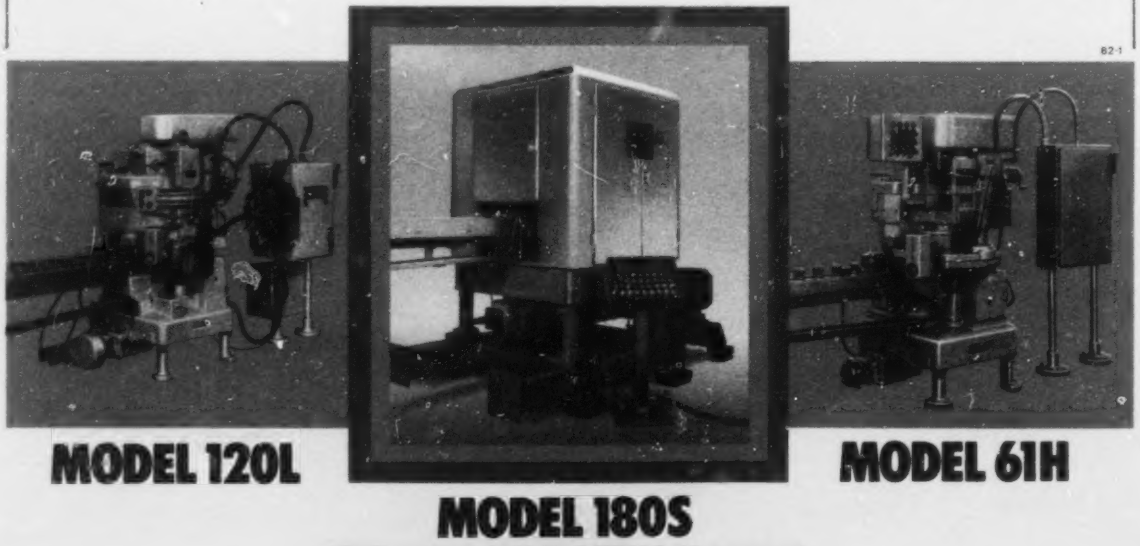

MODEL 120L

MODEL 180S
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JUNE 10, 1983

Beverage Industry

MARKETING ☐ DISTRIBUTION ☐ TECHNOLOGY

AN HBJ PUBLICATION

Coke names new vp-operations

ATLANTA, GA — Thomas Dannemiller has been named senior vp-bottler operations, Coca-Cola USA, by president Brian G. Dyson.

Dannemiller formerly served as senior vp-administration, Coca-Cola USA. He replaces Marvin W. Griffin Jr., who has accepted the position of president and CEO of Coca-Cola Bottling Co. Consolidated of Charlotte, NC. Both moves became official May 1.

Backed by 20 years experience in the coffee and tea field, Dannemiiler joined Coca-Cola USA in 1981 as special assistant to the president and for the past year and a half he has also served on boards of directors representing the equity position of Coca-Cola USA in various bottling franchises.

He also served as president of the Associated Coca-Cola Bottling Companies from April 1982 when this operation was purchased by the Coca-Cola Co. for disposition to new owners.

Dannemiller's responsibilities will include management of all operations relating to the Bottler Operations function of the domestic soft drink division of the Coca-Cola Co.

'82 beer imports show 10.3% volume increase

NEW YORK — In 1982, the imported beer industry volume grew 10.3% over '81, according to John C. Maxwell, **BI's** director of research/statistics. Heineken retained its number one position by a wide margin with 38.5% of the market, representing volume increase of 9.2% over 1981, Maxwell reports.

Molson was in second place with a 17.9% market share, followed by Becks with 7.9%. During 1982 imports accounted for 3.2% of the total U.S. beer market.

Maxwell also reported that European brands enjoyed strong growth last year, aided significantly by the strength of the dollar overseas, while some of the Mexican brands experienced declines. Maxwell believes a

(Continued on page 19)

Leading imported beer brands

(Mil. gallons and pct. of market)

	1979		1980		1981		1982		*
Heineken	59.1	42.9%	53.5	37.8%	62.9	38.9%	68.7	38.5%	9.2 %
Molson	29.3	21.3	31.7	22.4	32.0	19.8	32.0	17.9	–
Becks	5.6	4.1	7.3	5.2	10.0	6.2	14.0	7.9	40.0
Moosehead	2.0	1.5	5.6	4.0	7.9	4.9	11.2	6.3	41.8
Dos Equis	7.0	5.1	7.0	4.9	7.0	4.3	10.5	5.9	50.0
Labatt	6.6	4.8	6.9	4.9	9.0	5.6	9.5	5.3	5.6
St. Pauli Girl	2.0	1.5	2.4	1.7	3.0	1.9	4.5#	2.5	50.0
Guinness Harp	1.6	1.1	1.7	1.2	3.9	2.4	4.1	2.3	5.1
Carling O'Keefe	–	–	–	–	4.5	2.8	4.0	2.2	(11.1)
Tecate	–	–	–	–	3.8	2.3	2.7	1.5	(28.9)
Foster	1.4	1.0	1.6	1.1	1.7	1.1	1.7	1.0	–
Grolsch	1.4	1.0	1.6	1.1	1.8	1.1	1.5	0.9	(16.7)
Kronenbourg	–	–	0.7	0.5	1.2	0.7	1.4	0.8	16.7
San Miguel	–	–	–	–	1.1	0.7	1.4	0.8	27.3
Carta Blanca	1.8	1.3	2.1	1.5	2.3	1.4	1.3	0.7	(43.5)
Kirin	–	–	–	–	1.4	0.9	1.3	0.7	(7.1)
Bass ale	0.8	1.1	0.9	1.1	1.0	0.6	1.1	0.6	10.0
Amstel Light	–	–	0.5	0.3	0.7	0.4	1.1	0.6	57.1
Tsingtao	0.2	0.1	0.4	0.3	0.8	0.5	1.0	0.6	25.0
Bohemian	–	–	–	–	0.7	0.4	0.8	0.4	14.3
Carlsburg	–	–	–	–	–	–	0.7	0.4	–
DAB	–	–	–	–	–	–	0.7	0.4	–
Kalback	–	–	–	–	0.1	0.1	0.1	0.1	–
Others	18.2	13.2	17.0	12.0	5.0	3.0	3.1	1.7	(38.0)
Total	137.7	100.0%	141.6	100.0%	161.8	100.0%	178.4	100.0%	10.3 %

* Volume change, 1981-82.

# Adversely affected by 2½ month strike in summer of 1982.

Source: Lehman Brothers Kuhn Loeb Research

**Copyright: John Maxwell,
Beverage Industry
June 10, 1983**

Beverage containers only bright spot in 1982 packaging industry picture

NEW YORK—The packaging industry has just come off its second unimpressive year in a row. Over capacity for glass, low operating rates for cans, and under capacity operating utilization rates and high discounting of PET results in total volume being flat-to-down in 1982.

Yet, this bleak description of the industry, revealed at the Tenth Annual Container Industry Conference here, is not without a rosier projection for the future. Art Stupay, partner at Prescott Ball & Turben, sponsors of the conference, says all sectors of the container industry are expected to show improved volume growth in 1983 and '84.

And, while the overall packaging industry remained flat last year, it was not all bad news for the beverage packaging segment.

Soft drink returnables and one-ways combined to show an increase of 1 million gross units, or 2%. This was due for the most part, according to Stupay, to the increased market share captured by Owens-Illinois' Plasti-Shield bottle. Yet, the gain in this segment, along with a 4% increase in unit shipments of glass containers for food, were not enough to off-set the decline in the category as a whole; glass container unit shipments were off 4% and dollar sales were flat.

NR beer shipments were down 10-11% in 1982, after

(Continued on page 6)

Clearing house offered for PET, NRs in New York

Zeroing in on New York City, MetroMining's "mixed bag" refers to the company's promise that no brand sorting will be performed at retail outlets that are participating in the Metro program.

NEW YORK, NY — A "mixed bag" is a blessing? At least that is the proclamation of Metropolitan Mining Co. A new company, MetroMining® offers a third party, clearing house system for returning used beverage containers in New York City. The "mixed bag" refers to its promise that no brand sorting will be performed at retail outlets that are participating in the Metro program.

"Stores will still have to sort the containers by container type," said Henry A. Waxman, president of the company, "but within that framework, we will do all the brand sorting with newly developed, high-speed sorting lines."

The company promises to handle all cans, PET and NR bottles. "We have no place in the returnable/refillable package loop," continued Waxman. "If a store sells refillables, they accept the responsiblity of brand sorting. There is no service we can perform there."

The challenge of MetroMining will be the estimated 3.7 billion non-refillable containers that dominate the metropolitan New York market. If not replaced by refillables, they will represent a huge flood of returning containers, even at conservative return rates.

For collections, the company's plan includes a network of neighborhood redemption centers to help reduce the flow of containers through the supermarkets and retail outlets. Those centers will be located only where general support is available from the local retailers since their cooperation would be necessary to create the needed traffic flow. For the packages that return through retailers, MetroMining will set up bag systems for cans and PET

(Continued on page 9)

Pabst Brewing backs Olympia in ad campaign

MILWAUKEE, WI—The Pabst Brewing Co. has announced a new advertising campaign in support of its recently acquired brand, Olympia beer.

The campaign, which began April 2, is a mix of spot and national television, radio and outdoor advertising that is backed by point-of-sale materials and complementary packaging.

Olympia's campaign is a straight-forward approach that asserts, "No beer on the market tastes better than Oly." It's reinforced with the tag line, "Pour an Oly and you're second to none."

Pabst officials would not disclose how much the campaign is costing the company.

(Continued on page 9)

onto a rotating mandrel wheel, which opens each sleeve into a carton, folding and sealing the bottom. The carton then enters an aseptic zone, where it is sterilized. The carton is then filled with UHT treated product, ultrasonically sealed on top, hot embossed wipe proof date coding applied and conveyed to downstream equipment.

The aseptic line at Sodus is laid out with downstream equipment at a right angle to the filler. The line includes an accumulation table (to allow for downstream stoppages to be corrected without backup), a straw applicator (each carton affixed with a sipping straw that can be inserted into a foil covered opening in the carton), a bundle packer (bringing three cartons together with a strip of tape), a UPC coder, a case packer (where multi-packs are positioned into trays in a pattern of three by eight), and a shrink wrapper.

Full production on the first line began in April, after some preliminary batch testing. While initial packaging will be devoted to products under the Indian Summer label, the company as a major supplier of private label apple juice and apple cider (40% of its volume) also has committed selected food retailers and wholesalers in the Midwest and East to aseptic packaging for apple juice and apple cider under their store labels.

Private label supply will play a role in this venture, especially since store brand merchandisers have been eyeing aseptics for some time, but have been unable to invest in the capital outlay for equipment, because of the low volume sales for their store brands. Indian Summer's entry is viewed as a welcomed opportunity for these label owners to keep their private label packaging up-to-date, comparable to national brands now entering the aseptic juice market.

Indian Summer is right in step with this trend. Says Jim Goodlander, controller, "the payout on this investment will be within three to four years. If the aseptic package achieves the expected high consumer acceptance, we plan to add similar lines in our other Midwest plants.

- For more information on **Indian Summer**, circle no. 194 on reader service card; for **Combibloc**, circle no. 195 on card.

O'Rourke named executive vp of Coke Chicago

CHICAGO, IL — William O'Rourke has been named executive vp of the Coca-Cola Bottling Co. of Chicago.

O'Rourke

O'Rourke left the Joyce Beverage Co. after 24 years of service to take the new position. He served as president and chief operating officer for the Chicago Joyce operation, the area's 7UP and Dr Pepper bottler.

O'Rourke will serve in virtually the same capacity with Coca-Cola Chicago with overall operational responsibility.

He joined Joyce in 1959 as a route salesman and advanced steadily, first moving to its Washington, DC, facility as district sales manager in 1961.

In 1964 he was transferred to Chicago where he served as marketing coordinator. Then in 1979 he was named president and COO for the Chicago operation.

O'Rourke is the chairman of the Illinois Soft Drink Association and holds a membership in a number of other organizations including the Sales Marketing Executive's Club of Chicago.

Beer

(Continued from page 4)

further adverse effect on Mexican imports may be evidenced since their duty-free status into the U.S. has ended and they are suing President Reagan. This could cause prices at the retail level to increase sharply, he says.

Imported beer is one of the fastest-growing segments of the brewing industry, along with the light and upper-premium sectors according to Maxwell's research. Import sales are growing at a "healthy" rate of 6% to 10% per year and have quadrupled since 1975. Maxwell believes strong growth will continue in this segment of the industry throughout the 1980's.

Advertising expenditures have increased significantly, he says, and should continue to do so as importers actively vie for a larger share of the American marketplace.

This healthy growth rate should be the result of several factors, including the change in the image of beer as "the working man's drink and its social acceptance by the white collar class," according to Maxwell.

"There are now enough varieties of imports on the market to satisfy the most discriminating of connoisseurs. Another plus for imported beer is the increasing movement away from distilled spirits," he concludes.

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Staley

Circle No. 115 on Reader Service Card

Packaging

(Continued from page 4)

an 8% decline in 1981. The cause for this, says Stupay, was an increase in market share by Anheuser-Busch at the expense of Miller, which built its marketing program on NR glass. Liquor bottle shipments were off 10%; wine bottle shipments were down by 1 million gross.

Stupay predicts, though, that 1983 will be a much better year than last. Many glass manufacturers have trimmed operations and cost. Ball, Dorsey and O-I have closed plants and reduced facilities. A new labor contract and lower number of workers will result in cost increases rising at a much slower rate than a year ago. Stupay also anticipates energy costs and raw materials costs to be moderated, and at the same time, expects the industry to produce at a higher operating rate due to further capacity reduction.

Offsetting this optimistic outlook for the glass industry is Stupay's prediction of further inroads by plastic manufacturers into beverage packaging. The introduction of 1.75-L liquor bottles and larger sized wine bottles could hurt glass manufacturers, as will the anticipated sale of unpasteurized beer in 3- and 4-L containers. Stupay does not see any significant inroads made with the .5-L PET this year, but a start will certainly be made.

All things considered, Stupay forecasts that glass containers will show a 2%-2½% volume rise in 1983 from its level a year ago. This estimate is based on the assumption that GNP will rise a real level of 3%, increasing demand for beer, soft drinks, and more cyclical products like liquor, toiletries and cosmetics.

Overall metal can sales were about flat in volume terms last year, with dollar sales up about 4%. Major declines in shipments of cans for non-food were offset by increases in beverage can production. Shipments of beer cans rose 2.7%, soft drink cans rose 3.1%. The increase in soft drink cans, Stupay says, is due to marketing programs featuring 12 pack cans, similar to those used in the beer industry. Two-piece cans accounted for nearly all soft drink cans. Aluminum soft drink cans increased by 10%, while two-piece steel cans were off by 3% (from a much lower base).

Aluminum beer can volume rose by 8%, two-piece steel cans dropped precipitously, as A-B and other brewers shifted to aluminum in mandatory deposit states because of its scrap value.

In 1983, Stupay predicts can sales to increase 2-3%. Beer cans are expected to rise with increased consumption resulting from can marketing programs. Sixteen ounce soft drink cans could also boost demand for soft drinks.

By mid-1983, Stupay anticipates that much can manufacturing overcapacity will be reduced as a number of can lines are removed. As capacity is reduced, prices are expected to rise with metal costs at a modest rate.

The major challenge for can companies this year, states Stupay, is to increase margins, raise productivity and introduce even lighter weight, cost saving aluminum material.

PET beverage bottle manufacturing enjoyed its heyday in the 1979-81 period, according to Stupay. Volume rose from virtually a zero base in 1977 to 2.4 billion 2-L units in 1982. The problem by last year, though, was that while production was at 2.4 billion units, gross capacity stood at 3.2-3.4 billion, based on the number of bottle forming machines in place. Net capacity, however, assuming that most operators cannot run machines at full capacity and the sustainable operating rate was 85-90%, was at 2.7-2.9 billion. Combined production of 2-L bottles along with the 200 million 1-L bottles that were produced last year, resulted in total output of 2.5 billion equivalent 2-L bottles. This reflects an opeating rate of 75-80%.

Stupay puts shipments of .5-L bottles at 300 million units in 1982. With 15 machines in place last year, capacity was about 1 billion units.

One of the major drawbacks for PET bottles, says Stupay, is that material costs rely on the price of crude oil. He estimates that for every increase or decrease in the crude oil price of $1 per barrel, the resin price would rise or fall between 1.2 and 1.5 cents per pound.

With the Bureau of Alcohol, Tobacco and Firearms' approval of PET bottles for liquor last year, Stupay predicts Brown-Foreman, Seagrams and several other companies will begin using 1.75-L bottles for gin and vodka.

The potential market there, says Stupay, is 240 million units, not enough to affect glass shipments significantly. Only 11% of all liquor bottles shipped were over 1-L, representing less than 0.5% of total glass volume. If PET gained half of that market, plastics sales would rise $50 million, and glass would lose an insignificant market share.

Commenting on the effects of the New York State deposit legislation, Stupay concludes beverage consumption can be expected to fall modestly for the first year. In addition, he notes, can shipments could drop as much as 50% in the first several months, but then pick up as consumers get familiar with the deposit system. One-way glass would drop less sharply than cans. In 15 months to two years, can and one-way bottle sales could be restored to pre-deposit law levels, as in Vermont.

Package mix for beer in mandatory deposit states

Two Tier States

	Oregon (Effective 10/72)			Michigan (Effective 12/78)		
Package	**1971**	**1977**	**1981**	**1977**	**1979**	**1981**
Cans	33%	6%	31%	64%	36%	37%
One-way Bottles	19	18	16	14	21	23
Refillables	25	53	29	11	29	23
Draught	23	23	24	11	14	17
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Single Tier States

	Vermont (Effective 9/73)			Connecticut 1/80		Iowa (7/79)	
	1970	**1977**	**1981**	**1979**	**1981**	**1979**	**1981**
Cans	39%	28%	25%	33%	31%	65%	58%
One-way Bottles	45	41	51	46	42	13	12
Refillables	10	16	11	7	8	8	8
Draught	6	15	13	14	19	14	22
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: United States Brewers Association

Copyright: Beverage Industry, June 10, 1983

The economy and packaging

	1979	1980	1981	1982E	1983E
GNP (Trillion)	$ 2.4	$ 2.6	$ 2.9	$ 3.0	$ 3.3
% Packaging	1.7	1.7	1.7	1.7	1.7
Packaging (Billion)	$41.0	$44.5	$49.0	$51.0	$55.0
% Glass	10.9	10.8	10.5	10.0	9.8
% Metal	22.0	21.5	20.6	20.6	20.5
Glass Containers (Bil $)	$4.45	$ 4.8	$ 5.1	$ 5.1	$ 5.4
Glass Volume (Mil. Gross)	323	326	321	308	318
Metal Cans (Bil $)	$ 9.0	$ 9.6	$10.1	$10.5	$11.3
Can Volume (Billion Cans)	89	89	89	90+	92

E-Estimated, P-Projected

Glass container unit sales

(In Million Gross)

End-Use Markets	1978	1979	1980	1981	1982E	1983E
Food	92.6	93.2	89.3	91	95	97
Beer*	106.5	117.7	122.7	116	105	108
Soft Drinks*	61.4	55.0	57.8	60	61	62
Liquor	16.5	15.8	15.8	16	13	15
Wine	8.5	8.5	8.8	9	8	9
Non-Foods	31.8	29.6	29.5	27+	24	25
Export	2.2	2.9	2.2	2	2	2
Total	**319.5**	**322.8**	**326.1**	**321**	**308**	**318**

*Non-returnables and returnables combined.
E-Estimated

Note: Data for 1980 through 1982 have been significantly revised and are still subject to error.

Metal can sales

(Billion cans)

End-Use Markets	1978	1979	1980	1981	1982E	1983E
Food	30.3	30.0	29	29	28	29
Beer	28.9	28.7	29	31	32	33
Soft Drinks	25.5	25.7	26	25	26	26+
Non-Foods	5.1	4.9	5	5	4	5
Total	**89.8**	**89.3**	**89**	**89**	**89-90**	**93+**

P-Projected; E-Estimated

Source: Prescott Ball & Turben

Copyright: Beverage Industry, June 10, 1983

Liquor bottle shipments, by size

Million Units (1981)	(Glass) Units-Millions	% Total
Under 275 ml	700	31
276-500 ml	285	13
501-800 ml	475	22
801-1,000 ml	500	23
Over 1,000 ml	240	11
Total	**2,200**	**100**

Source: Prescott Ball & Turben

Copyright: Beverage Industry, June 10, 1983

Beverage consumption & packaging in N.Y. State

Mil equiv. 12-oz. Units	One-Way Glass	Cans
Beer	2,080	1,350
Soft Drinks	936	2,023
Total N.Y. State	**3,016**	**3,373**
National Shipments	29,117	56,326
N.Y. State % National	10.4%	6.0%

Source: Prescott Ball & Turben

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HFCS capacity of U.S. producers, 1974-79

(Mil. lbs. dry and liquid basis)

	1980		1981		1982		1983		1984	
	Dry	Liquid	Dry	Liquid	Dry	Liquid	Dry	Liquid	Dry	Liquid
42% HFCS										
ADM	1,300	1,831	1,300	1,831	1,260	1,775	1,420	2,000	1,420	2,000
CPC (a)	355	500	535	750	710	1,000	710	1,000	710	1,000
Nabisco Brands (b)	670	817	495	697	160	225	—	—	—	—
Staley	850	1,200	426	600	426	600	426	600	426	600
Amstar (c)	300	420	300	420	300	420	300	420	300	420
Heinz (Hubinger)	250	350	250	350	250	350	250	350	250	350
Cargill, Inc.	264	371	213	300	405	571	405	571	405	571
Amalgamated Sugar-American Maize	135	190	135	190	125	175	125	175	125	175
Holly Sugar (d)	100	141	100	141	100	141	100	141	100	141
Total	4,224	5,820	3,754	5,279	3,736	5,257	3,736	5,257	3,736	5,257
55% HFCS										
Staley	616	800	1,617	2,100	1,617	2,100	2,100	2,700	2,100	2,700
ADM	550	714	1,250	1,623	1,360	1,768	1,720	2,233	1,720	2,233
Nabisco Brands (b)	300	366	460	597	260	337	—	—	—	—
American Maize	—	—	250	325	250	325	250	325	250	325
Cargill, Inc.	—	—	268	348	536	696	536	696	536	696
Heinz (Hubinger)	150	195	150	195	150	195	150	195	150	195
CPC (a)	—	—	—	—	100	130	100	130	100	130
Total	1,616	2,075	3,995	5,188	4,273	5,551	4,856	6,279	4,856	6,279
GRAND TOTAL	**5,840**	**7,895**	**7,749**	**10,467**	**8,009**	**10,808**	**8,592**	**11,536**	**8,592**	**11,536**

(a) Does not include Canadian plant potential of 300 million pounds, dry basis

(b) As of June 14, 1982, Nabisco Brands capacity was leased to ADM

(c) We understand Amstar is adding 200 million pounds of 55% HFCS capacity in 1983, this is not included in the table

(d) Holly Sugar recently closed its facilities

Lehman Brothers Kuhn Loeb estimates
Source: Lehman Brothers
Kuhn Loeb Research

Copyright: John C. Maxwell and Beverage Industry, June 10, 1983

Sweeteners

(Continued from page 1)

in the '80s.

If they are right, we have not seen the end of the segmentation by ingredients, a fairly recent phenomenon in the soft drink industry.

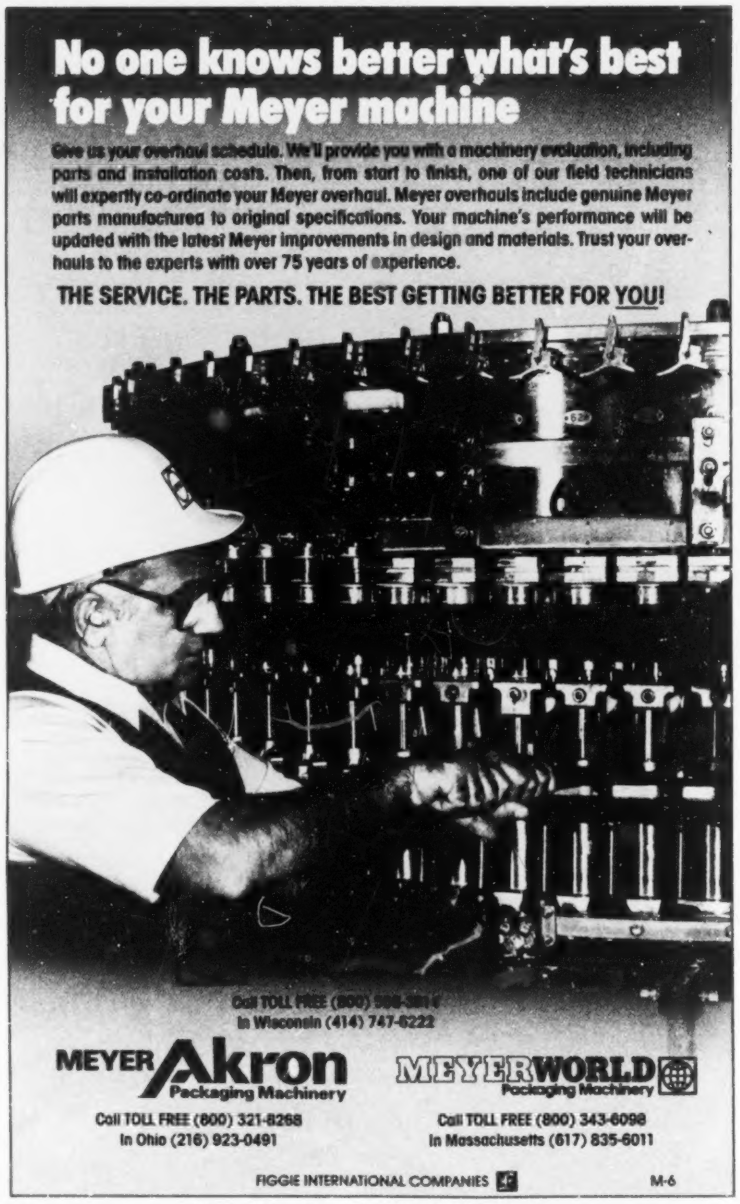
On the horizon are a number of noncaloric sweeteners, which should add to this segmentation in the sweetener category.

It's these new noncaloric sweeteners, along with increases in the allowable HFCS levels, that will be responsible for the increased segmentation in the industry. These new trends also seem to paint a bleak outlook for sucrose manufacturers.

In fact many observers feel that HFCS along with nonnutritive sweeteners will eventually replace sucrose in soft drinks entirely.

"Frankly, I don't see what's holding it back," said Wayne Renshaw, marketing communications manager for A.E. Staley, a major manufacturer of HFCS.

What's been holding back its complete acceptance is questions about its taste because while Pepsi just approved its use in brand Pepsi,



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Approved allowable levels for HFCS and sucrose, 1981

Company and brand	Sucrose and 42% HFCS	Sucrose and 55% HFCS
A&W Enterprises		
A & W Root Beer	100%/0%	0%/100%
Barq's		
Barq's Root Beer	50%/50%	0%/100%
Flavors	50%/50%	0%/100%
Coca-Cola Co.		
Coca-Cola	NA	50%/50%*
Sprite	75%/25%	0%/100%
Mr. Pibb	50%/50%	0%/100%
Mello Yello	75%/25%	0%/100%
Hi-C	75%/25%	0%/100%
Santiba	75%/25%	0%/100%
Fanta	**	**

*50% replacement of HFCS 55 is authorized in packaged product, 75% replacement in fountain products

**50% replacement of HFCS 42 and 55 in strawberry, grape, root beer, red cherry, black cherry, red cream and birch beer. 25% replacement in Collins, ginger ale, grapefruit, lemon-lime, orange, o-water, iced tea

Company and brand	Sucrose and 42% HFCS	Sucrose and 55% HFCS
Proctor & Gamble		
Crush flavors	NA	0%/100%
Hires	NA	0%/100%
Sun Drop	NA	0%/100%
Dad's Root Beer Co.		
Dad's Root Beer	0%/100%	0%/100%
Bubble Up	0%/100%	0%/100%
Delaware Punch		
Delaware Punch flavors	0%/100%	0%/100%
Dr Pepper Co.		
Dr Pepper	50%/50%	25%/75%
Barrel Head Root Beer	0%/100%	0%/100%
Orange Spot	50%/50%	50%/50%
Sun Ripe Orange	50%/50%	50%/50%
Wink	50%/50%	50%/50%
Hi-Spot	50%/50%	50%/50%
Canada Dry Tonic	75%/25%	50%/50%
Canada Dry flavors	0%/100%	0%/100%
Welch Sparkling Flavors	0%/100%	0%/100%
General Foods		
Country Time	75%/25%	25%/75%
Lipton		
Iced Tea	25%/75%	0%/100%
Lemon Tree	25%/75%	0%/100%

(Continued on page 12)

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it has been experimenting with lower usage rates in its Mountain Dew.

Improvements apparently have been made in the quality of HFCS, though. "We work continually to improve in terms of quality and there have been some improvements," said Renshaw. "We've further reduced the trace level elements which were at a very low level to begin with."

All of this has not been a pleasant pill to swallow for the sugar industry. Overall, total domestic consumption of HFCS on a per capita basis has been plummeting over the last two years after a period of stagnation. But it's been sugar that's been the big loser, according to **BI** director of research/statistics John C. Maxwell, Jr.

In a recent report, Maxwell reported U.S. per capita sugar consumption fell again in 1982 to 73.7 lbs. compared to 79.5 lbs. in 1981. HFCS picked up 3.7 lbs. per person to reach 27.2, while total sugar and HFCS consumption was off 2%."

Maxwell said the decline can be attributed to the economy as well as the health and diet-consciousness of consumers.

Sugar association officials see little hope for turning the situation around. Said one official from the U.S. Cane Sugar Association, "There's not much we can do. People are going to go to something economically feasible."

A spokesman for the U.S. Beet Sugar Association conceded that while HFCS may continue to be the dominant sweetener for soft drinks, it's overall popularity will level off.

"Certainly, it's going to level off. We don't see this (the shift from sugar to HFCS) continuing at its present rate.

"One of the constraints will be capacity of the corn industry," the source said. "There's a question, too, on how much more of an investment the corn industry is willing to build even more sweetener plants."

Maxwell predicts that sugar consumption will decline again in 1983 to about 71 lbs. per person. He predicts, just like in 1982, HFCS consumption will not absorb all of the decline and total caloric sweetener consumption will fall about 2.4%

He believes this decline is primarily the result of the growth of the diet-consciousness of Americans, which is exemplified by the growth of the diet segment of the soft drink industry.

Here, too, is a dynamic area of the industry. The search continues for the perfect artificial sweetener. And there are many being now studied by the FDA.

Here's a rundown based on information from the Calorie Control Council:

- Saccharin, which is 300 times sweeter than sucrose, has been used since around the turn of the century. It has a slight aftertaste, but it has a history of safe human usage. The body does not metabolize saccharin and it is excreted by the kidneys unchanged. In 1977, the FDA proposed a ban on saccharin because it caused bladder tumors in rats, but a Congressional moratorium was placed on the ban to allow for further research. This moratorium was just extended for another two years.
- Aspartame, which is 200 times sweeter than sucrose, has a sugar-like taste, but is

Low calorie sweeteners in the 1980's:

Economic data for 1982

Sweetener	Sweetness relative to sugar (sugar = 1)	Annual world production s.t.	Wholesale price $/lb.	Refined sugar food use 1,000 s.t.	Equivalent price $/lb.
Saccharin	300	6,500	4.00	1,500	.013
Cyclamate	30	3,150	1.90	105	.063
Aspartame	200	250	85.00	50	.425
Acesulfame K	150	1	11.00	0	.073
Stevioside	150	165	17.50	22	.118

Source: Schnittker Associates

Copyright: Beverage Industry,
June 10, 1983

Domestic sugar and HFCS consumption

	1970	1975	1980	1981	1982	1983
Sugar (000 short tons raw)	11,163	10,302	10,189	9,770	9,150	8,900
HFCS (000 tons, dry)	75.0	530.5	2,174.0	2,700	3,150.0	3,205.0

Source: Lehman Brothers
Kuhn Loeb Research

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Beverage Industry, June 10, 1983

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not stable at prolonged high heat and not suitable for baking, cooking or products that have to be heat-sterilized. As for beverages, its stability may pose problems for some applications, geographical areas and other market conditions, and it's expensive. It is digested as a protein and indications are it is no more dangerous than consuming protein.

The FDA approved Aspartame for use as a tabletop sweetener and in various foods and dry beverage mixes in 1981 and approval is expected soon for use in carbonated and refrigerated/frozen beverages. It is in use in at least 10 countries.

- Cyclamate, which was banned in 1970 because it was thought to be a carcinogen, is backed by 75 new studies on a petition to reapprove it. It is 30 times sweeter than sucrose and has the least sweetening power of the non-caloric sweeteners under consideration. The petition for reapproval is pending; it's approved for use in 40 countries now.
- Acesulfame K, which is 200 times sweeter than sucrose, has the potential to be used in all areas where sweeteners are presently used. Many studies have been conducted and no ill effects have been reported. It has a long shelf life and is relatively stable, but has a slight aftertaste.

And there are others, too, but approval for most of them is farther off because in most cases testing has been limited. According to the Calorie Control Council, these include:

- Thaumatin, a mixture of sweet-tasting proteins from a West African fruit that's 2,000 to 3,000 times sweeter than sucrose.
- Glycerrhizin, a non-caloric extract of the licorice root, which is 100 times sweeter than sucrose and has already been approved here. Its licorice flavor has limited its use to date.

(Continued from page 10)

Company and brand	Sucrose and	
	42% HFCS	55% HFCS
Monarch		
Nesbit	50%/50%	0%/100%
Sun Crest	50%/50%	0%/100%
Nugrape	50%/50%	0%/100%
Kick-a-poo	50%/50%	0%/100%
Mason's Root Beer	0%/100%	0%/100%
Flavette	50%/50%	0%/100%
Mr. Flavor	50%/50%	0%/100%
Dr. Wells	50%/50%	0%/100%
Moxie	50%/50%	0%/100%
Frostie Root Beer	0%/100%	0%/100%
Nestle		
Nestea	0%/100%	0%/100%
Pepsi Cola Co.		
Pepsi-Cola	NA	50%/50%
Mountain Dew	NA	0%/100%
Patio	0%/100%	0%/100%
Teem	50%/50%	0%/50%
R. J. Reynolds		
Hawaiian Punch*	65%/35%	65%/35%
*Company is testing at higher levels of HFCS 55		
Royal Crown Cola Co.		
RC	75%/25%	50%/50%
Nehi	0%/100%	0%/100%
Upper Ten	0%/100%	0%/100%
Schweppes		
Flavors	0%/100%	0%/100%
Tonic	76%/24%	0%/100%
Ginger Ale	76%/24%	0%/100%
Collins	76%/24%	0%/100%
Ginger Beer	76%/24%	0%/100%
Rondo	76%/24%	0%/100%
Bitter Lemon	76%/24%	0%/100%
Seven Up Co.		
Seven-Up	75%/25%	0%/100%
Like	—	—
Howdy	75%/25%	0%/100%
Shasta		
All products	50%/50%	0%/100%
Squirt Inc.		
Squirt	0%/100%	0%/100%
Sunkist		
Orange	75%/25%	0%/100%
Sun-Rise		
Flavors	0%/100%	0%/100%
White Lightnin'	50%/50%	0%/100%
Triple XXX		
Root Beer	0%/100%	0%/100%
Tru Ade		
Flavors	0%/100%	0%/100%
Vernor's Inc.		
Ginger Ale	0%/100%	0%/100%
Yoo-Hoo		
Chocolate, flavors	10%/90%	—

NA = Not approved at presstime
Source: Franchise Co. officials, A. E. Staley

Copyright: Beverage Industry June 10, 1983

- Stevioside has been approved for use in Japan. It's an extract from the leaves of a South-American plant and 300 times sweeter than sucrose. Prospects look good because it is long-lasting, soluble and stable and has already been used in soft drinks.
- Chloroderivatives of sucrose are produced by altering the sucrose molecule. They range from 5 to 2000 times the sweetness of sucrose, but have not yet been approved for use anywhere.
- Dihydrochalones are non-caloric sweetners derived from the bioflavonoids of citrus fruits. It's 300 to 2000 times sweeter than sucrose, but has not been approved for use anywhere yet.
- L-Sugars are "left-handed" counterparts of common sugars, but have not been approved for use anywhere.

No doubt with so many alternatives the future prospects for sucrose in the soft drink industry is bleak. Whether caloric or non-caloric, there are many cost-effective alternatives that appear to be ready to take its place.

With regard to flavors, it doesn't appear that there's anything new breaking into the picture.

There may be, however, a move by the industry to expand to greater bottling of juice drinks. Top level industry sources are continuing to grapple with new ways to increase sales volume and this may be one of them.

Harold Bateman, president of Hurty Peck and vp and manager of the beverage industry for Universal Flavors, is one executive that sees this as a trend.

"People want high juice drinks naturally flavored with no artificial coloring or additives. That seems to be the profile of the juice drink of the future," said Bateman.

As an example, Bateman pointed to Shasta's success with CapriSun. Bateman said that while in the past non-carbonated juice drinks have been considered "belly wash" by those in the industry, this new emphasis on "quality and natural ingredients" will give them a new credibility.

Lee Kohnstamm, vp-V and E Kohnstamm, agreed there is great potential for this trend. "Aseptic packaging will be the market for juice drinks," he said, but added that costliness of the machinery and marketing problems may pose roadblocks.

In addition, Kohnstamm noted an increase in the popularity of whipped drinks, particularly pina colada flavoring.

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SOFT DRINKS ☐ BEER ☐ BOTTLED WATER ☐ WINE ☐ POWDERS ☐ JUICES ☐ SPIRITS JUNE 24, 1983

Beverage Industry

MARKETING ☐ DISTRIBUTION ☐ TECHNOLOGY AN HBJ PUBLICATION

FDA prepares to propose caffeine OK

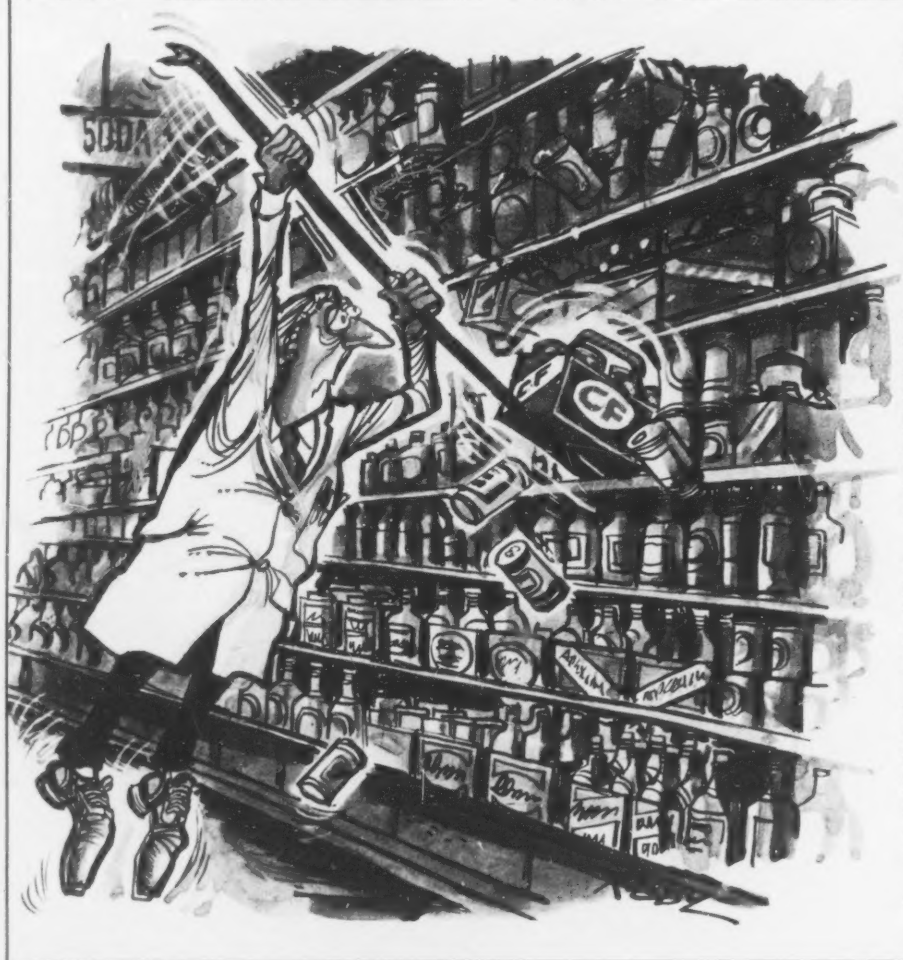
WASHINGTON, DC—Having missed its own imposed deadline last April to reissue its caffeine proposal, the Food and Drug Administration will decide shortly when and in what form the document surfaces.

In all likelihood, the agency will propose that caffeine receive prior sanction status—a designation used before the 1958 Food Additives Amendment Act where substances were presumed safe until proven otherwise.

This will be a substantial change from FDA's October 1980 proposal that caffeine, a Generally Recognized As Safe (GRAS) substance, be given interim food additive status and be an optional, rather than mandatory ingredient in cola and pepper-type beverages.

FDA has been leaning towards amending the caffeine proposal for some time based on comments it has received from industry and consumers, as well as industry and agency-conducted rat feeding studies assessing the ingredient's safety.

In the agency-sponsored research, forced feeding and water sipping studies in rats found that very high levels of caffeine would have to be ingested to produce birth defects, leading the agency to conclude that the substance is not harmful in humans.



Supermarket shelf space: any left to go around?

By Laura Martinez

SPECIAL REPORT—The recent introduction of many new soft drink flavors, formulations and packages has posed greater marketing opportunities for bottlers while, at the same time, creating many headaches at the retailing level.

Retailers, like bottlers, are motivated by profit and are reluctant to allocate additional shelf space, a fixed resource, to an as yet, unproven product.

New computerized supermarket scanners aid retailers in determining high selling items. It is this definitive information on which shelf space decisions will be made — at the expense of slower moving items.

This leaves bottlers with two routes to go: heavier pro-

(Continued on page 28)

NSDA study: gallonage up 2.7%, dollar value, 5.7%

WASHINGTON, DC—Total soft drink gallonage was up 2.7% in 1982 over '81, according to preliminary figures from the National Soft Drink Association's latest survey.

Based on a poll with 307 plants reporting, the survey offers a detailed look at the industry nationally and regionally.

In 1982, unit sales were up 2.4%, bulk 4.7% and packaged 2.4%. Dollar value increased 5.7% with a wholesale value of $21,156,140,000.

The survey reported total sales of 4,065,815,000 cases.

In bulk, pre-mix was up 2.4% and post-mix 5.2%. In packaged, plastic jumped 9.8%, cans 3.6% and one-way glass 6.5%, but refillable glass was off 6.5%

Glass sales break down by size this way. For one-ways, 6-9 oz. up 11.8%, 24-32 oz. (1-L) down 16.6% and 48-64 oz. (2-L) up 9.5%.

For refillables, 6-9 oz. was off 19.8%, 12 oz. off 16.6%, 16 oz. up 1%, 24-32 oz. off 17.7% and 48-64 oz. off 37%.

By market share, bulk has 22.7% while packaged is at 77.3%. Of the bulk category, 16.6% is pre-mix and 83.4% is post-mix.

In the packaged category, cans lead with 36.5%, glass refillables have 26.4%, plastic 21.4% and glass one-ways 15.7%.

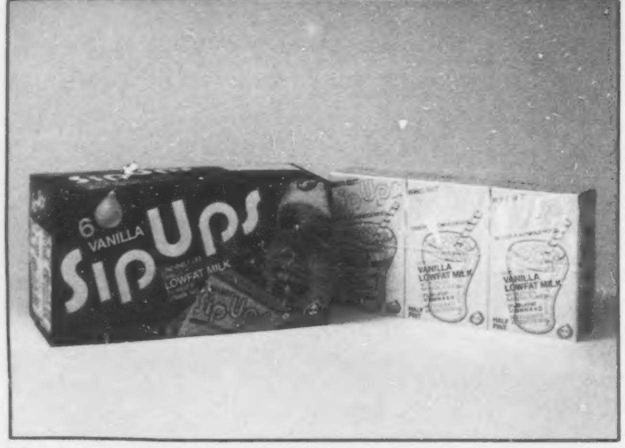
The 2-L size continues to be by far the most popular size in the plastics market with a 93.3% share. 4.4% are 1-L and 2.4% are 1/2-L.

The 16 oz. glass bottle remains the most popular in glass with 55.2% of the one-way market, 64.4% of the refillable market. The 12 oz. size has 29.2% of the one-way share, 13.5% of the refillables. The 48-64 oz. size has 9.5% of the one-ways and .2% of the refillable.

The 24-32 oz. size has 5.3% of the one-way market, 19.7% refillable. The 6-9 oz.

(Continued on page 4)

BI Package of the Week



Mead Packaging's new kraftboard multi-carrier for aseptic packages, left, offers marketing advantages that the traditional film multi-packs, right, don't. See page 18.

Anti-tampering legislation debated in conference

By Patricia Raber

WASHINGTON, DC—A House-Senate conference will soon iron out differences in anti-tampering legislation recently passed by both houses.

The Senate version (S. 216), favored by the soft drink industry, includes language specifically making it a crime to tamper with a product, its label or container with the intent to not only harm individuals but a company's reputation.

The House measure (H.R. 2174) indirectly addresses intent to damage a business through its section dealing with the risk of injury resulting from an actual or attempted tampering.

For example, "if you put a harmless red dye in milk, regardless of the effect on the producer, the tampering would not be covered under the House bill," explained a House Judiciary Committee spokesperson.

However, the bill does pun-

(Continued on page 18)

BI Week

- **Jim Beam began testing the first PET liquor bottle in selected test markets in early June. The 1.75-L, uncoated container (in Jim Beam's proprietary square shape) is supplied by Continental's Plastic Bottle Div. Sources indicated that the resin was supplied by**

(Continued on page 41)

Contents

New brands threaten beverage shelf space

A special **BI** report poses questions, and some answers, on how bottlers and retailers can get together and plan strategy on how to evenly and fairly allocate enough profitable shelf space to all of the new flavors and formulations.

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One solution in dealing with this problem is to make use of all available store space; go outside the beverage aisle, use spot displays, termporary displays. Some may increase promotional spending to increase sales, or, increase the retailer's shelf space. But despite many merchandising opportunities available, whereover there is a winner, there's a loser. See **page 1.**

NSDA's Roberts on regulation in industry

At a recent meeting of the Society of Soft Drink Technologists, Howard Roberts, vice president-science and technology of NSDA, spoke on how new regulatory developments, such as the recycling/mandatory deposit law, is affecting the soft drink industry.

Roberts says forced deposit legislation and recycling questions are among "the most important problems facing our industry today." For more of Roberts' insights and views, see **page 16.**

Mead's aseptic multi-carrier debuts

Mead Packaging, Atlanta, has developed a kraftboard multi-carrier for aseptically-processed beverages, a new version of that company's Cluster Pak concept.

It packages container sizes from 250 ml to 1-L.

One major Eastern dairy packer is on the market with a six-unit Cluster-Pak of 250 ml containers. Another is currently being installed in a Western plant, Mead says. See **page 18.**

Coke's Goizueta on segmentation

Roberto C. Goizueta, chairman of the board and chief executive officer of the Coca-Cola Co., spoke recently at the Society of Soft Drink Technologists meeting in Atlanta.

His topic dealt mainly with the diversification and segmentation of the soft drink industry and where it seems to be heading. He said to achieve greater success in the future, "the technical function must continue to play a major role." See **page 20.**

Powdered beverages up only 1.8% in 1982

In a special **BI** report, year-end results of the powdered beverage market's gains and losses are examined.

The decline in dollar volume was the result in shifts in consumer puchasing patterns away from presweetened and toward unsweetened versions.

In 1982, the two top-selling unsweetened powders, Kool Aid and Hawaiian Punch, sold a combined 561.2 million equivalent gallons of product.

Only General Foods, which manufacturers Kool Aid, and Borden's Wyler brand had gains during the year. See **page 40.**

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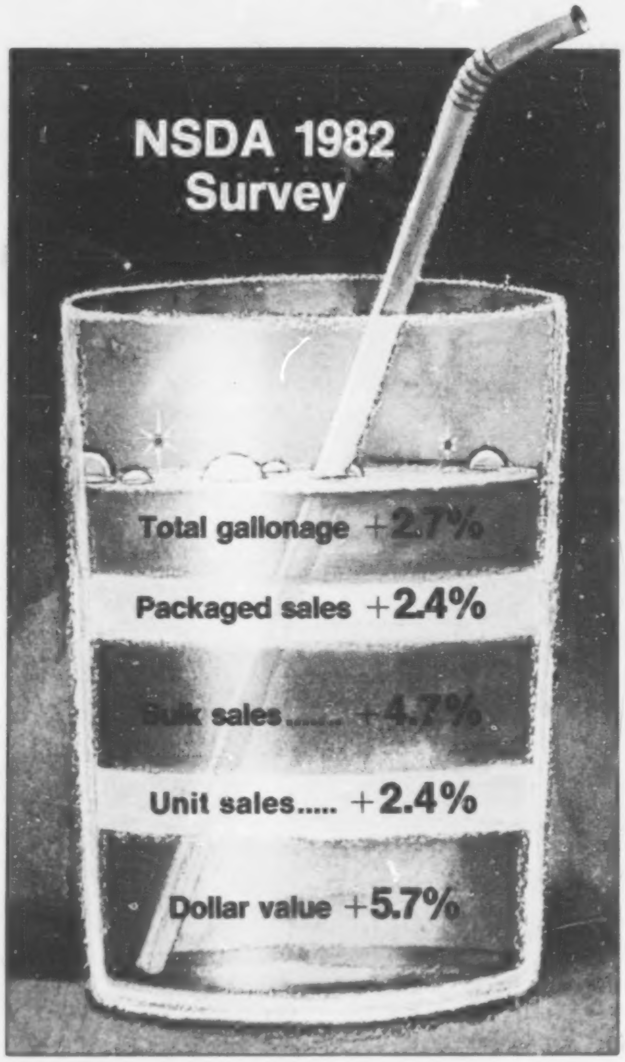
SOFT DRINKS ☐ BEER ☐ BOTTLED WATER ☐ WINE ☐ POWDERS ☐ JUICES ☐ SPIRITS JUNE 24, 1983

Beverage Industry

MARKETING ☐ DISTRIBUTION ☐ TECHNOLOGY AN HBJ PUBLICATION



Diets increase to 17.7%; colas to 59.6%

(Continued from page 1)

size, 7% one-way and 2.3% refillable.

The survey reported that diet soft drinks are continuing to grab a larger share of the overall market. While regular soft drinks still hold the lion's share at 82.3%, the diet segment has grown from 15% in 1981 to 17.7% last year.

In the regular category, colas lead the way with 59.6% market share, with lemon-lime next at 11.2%, followed by pepper-type 6%, orange 5.1%, root beer 2.8%, grape 1.7% and ginger ale 1.5%.

In the diet group, colas have 63.3% of the market, lemon-lime 14% and all others 22.7%.

Supermarkets continue to be the most common retail outlet for soft drinks with 46.6% of the soft drinks sold. Convenience stores follow with 19.4%, vending machines 17.3% and other retail outlets with 16.7%.

Regionally, the Northwest had the most successful year with gallonage up 7.7%, units 7.5%, bulk 6.7%, packaged 7.9% and dollar value 16.6%.

The Pacific and the Northeast had off years. The Northeast was down in dollar value .2% while every other region of the country was up.

The Pacific was down .4% in gallonage, .2% in units, 1.5% in packaged sales, but up slightly in dollar and bulk sales.

In the Pacific region, every size glass refillable and one-way was down, except for the 12-oz. one-ways which rose 5.8%

Complete and final figures for the survey will be released by the NSDA in August.

regional

There were a few interesting regional sidelights. In the Southern region, 48-64 oz. glass one-ways increased 37.8%, but refillables were down 69.8%.

Glass one-ways in the 24-32 oz. size were down 38.8% and 48-64 oz. refillables were off 40% in the West Central region.

Glass refillables in the 48-64 oz. size were down 31.3% in the Northeastern region.

Glass one-ways in the 6-9 oz. size were down 39.6% and glass refillables in the 16 oz. size were off 32.8% in the Southwestern region.

One-ways in the 6-9 oz. size in the Western region were also off by 73.9%, but glass one-ways in the 16-oz. size were up 103%.

Regional breakdown

Here's how the National Soft Drink Association breaks down the regions:

Northeastern—Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont.

Southern—Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North and South Carolina, Tennessee, Virginia.

East Central—Illinois, Indiana, Kentucky, Michigan, Ohio, West Virginia, Wisconsin.

Western—Colorado, Idaho, Montana, Nevada, Utah, Wyoming.

Southwestern—Arizona New Mexico, Oklahoma, Texas.

West Central—Iowa, Kansas, Minnesota, Missouri, Nebraska, North and South Dakota.

Pacific—Alaska, California, Hawaii, Oregon and Washington.

Chicago beer distributor debuts bottled water

CHICAGO—Thomas Distributors, Inc., the highest volume Miller Beer distributor in the Midwest, has gone into the seltzer marketing business. In a unique distributing franchise agreement with Syfo Water Co., Inc. of Miami, the Chicago beer distributor has set up two separate companies to distribute the water in Chicago and 15 northern Illinois and Indiana counties.

The water will be available initially through major supermarkets and chain stores in 10 and 28 oz. bottles; additional distribution will include food stores.

Syfo is one of the leading sparkling waters in Florida, Washington D.C., Baltimore, New Orleans and Omaha.

The Chicago introductio. will be supported by television commercials on the morning, evening and late news for all three network affiliate stations, and several spots during prime time on the city's independent stations. Syfo will be priced competitively with other soft drinks but below the imported mineral waters.

Aqua Inc. will handle distribution in the Chicago area and Indiana counties; Syfo of Chicago, Inc. will distribute in Chicago.

Syfo contains no salts, minerals or chemicals and contains less than 10 ppm of total dissolved solids per liter.

• For more information on **Syfo**, circle no. 150 on reader service card.

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Water
NO SALT
Seltzer Water
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Syfo Sparkling Water is available in the greater Chicago area in 10 and 28 oz. bottles. A 2-L bottle is being planned for later.

SPI surveys member firms on PVC/food contact uses

WASHINGTON, DC—The Society of the Plastics Industry (SPI) has been receiving survey responses from its members concerning marketing data on current and future food-contact uses of polyvinyl chloride (PVC).

SPI conducted the survey —requested and approved by the Food and Drug Administration—to help the agency estimate dose levels of the polymer in the diet and perform a risk assessment before it issues a proposal shortly on all food-contact uses of PVC, including liquor bottles.

In addition, to enable FDA to assess the environmental impact fom PVC use, the agency asked the plastics industry in late December to respond to seven environmental questions so it can determine the best means of regulating the substance (see **BI**, Feb. 25, 1983).

"The only potential environmental effects that need be dealt with are those associated with the anticipated increased sales of rigid and semi-rigid PVC food-contact materials," Jerome Heckman, SPI counsel, has assured the members.

food contact

As a result, SPI is providing FDA with "figures estimating the total uses of PVC, the food-packaging uses as a fraction of the total, and food-packaging uses of bottles and sheet as a fraction of the food uses."

Some of this data will be available when SPI's marketing survey is completed at the end of the month, Heckman noted.

SPI is confident that the expanded food-packaging uses of PVC would result from FDA approval "will be only a small fraction of the total uses of PVC and, therefore, will give rise to no environmental concerns," Heckman told the members in a recent notice.

← For more information on Blocpak Canada Inc., circle no. 106 on Reader Service Card

Beverage Business Indicators

Glass container shipments

(thousands of gross)
(not seasonally adjusted)

	Sept. 1982	Oct. 1982	% Change	Oct. 1981	Oct. '81 vs. Oct. '82 % Change
Bottles	26,515	25,956	(2.1)	25,970	(.1)
Beverage: Refillable	207	337	62.8	248	35.9
Nonrefillable	4,986	4,551	(8.7)	4,248	7.1
Under 10 oz.	87	109	25.3	84	29.8
10.0 to 15.9 oz.	1,585	1,445	(8.8)	1,417	2.0
16.0 to 16.9 oz.	2,998	2,696	(10.1)	2,404	12.1
17.0 and over	316	301	(4.7)	343	(12.2)
Beer: Refillable	21	33	57.1	98	(66.3)
Nonrefillable	8,240	8,889	7.9	8,389	6.0
Under 11 oz.	1,793	1,459	(18.6)	1,442	1.2
11.0 to 15.9 oz.	5,875	5,938	1.1	6,485	(8.4)
16.0 and over	572	692	21.0	462	49.8
Liquor:	1,182	1,447	22.4	1,369	5.7
Under 125 ml	62	84	35.5	78	7.7
126 to 275 ml	266	304	14.3	292	4.1
276 to 500 ml	133	203	52.6	207	(1.9)
501 to 800 ml	321	374	16.5	347	7.8
801 to 1000 ml	231	289	25.1	269	7.4
1001 ml and over	169	193	14.2	176	9.7
Wine:	667	718	7.6	755	(4.9)
Under 500 ml	105	126	20.0	120	5.0
501 to 800 ml	339	336	(.9)	338	(.6)
801 to 1000 ml	13	20	53.8	249	(36.1)
1001 to 1600 ml	125	139	11.2		
Over 1600 ml	85	97	14.1	48	102.1

Source: U.S. Dept. of Commerce
Bureau of the Census

Beverage closures

(thousands of gross)

	Sept. 1982	Oct. 1982	% Change	Oct. 1981	Oct. '81 vs. Oct. '82 % Change
Metal (for spirits, wines)*	48,407	57,473	18.7	49,512	16.1
Plastic (for spirits, wines)*	126,012	141,818	12.5	110,971	27.8
Metal crowns (beer & soft drinks)	16,709	16,014	(4.2)	20,832	(23.1)
Soft drink (convenience type)	1,910	314	(83.6)	2,064	(84.8)
Soft drink (conventional types)	5,602	5,329	(4.9)	6,952	(23.3)
Beer (convenience types)	6,584	8,685	31.9	9,343	(7.0)
Beer (conventional types)	2,613	1,686	(35.5)	2,473	(31.8)
All other metal closures than crowns	5,665	6,039	(6.6)	5,870	2.9

*thousands of units
Source: U.S. Dept. of Commerce
Bureau of the Census

Imported beverages

(Proof gals)

	November 1982	December 1982	% Change	December 1981	Dec. '81 vs. Dec. '82 % Change
Beer*	15,391,364	13,012,143	(15.4)	11,727,962	10.9
Whiskey	8,178,758	5,541,583	(32.2)	6,616,860	(16.3)
Brandy	673,330	564,443	(16.2)	519,611	8.6
Gin	655,186	482,505	(26.4)	385,131	25.3
Rum	126,409	71,254	(43.6)	43,779	62.8
Cordials & liqueurs	1,103,575	957,715	(13.2)	910,846	5.1
Others	1,007,303	655,164	(35.0)	640,331	2.3
TOTAL	27,135,925	21,284,807	(21.6)	20,844,520	2.1
Sparkling wines	1,133,457	1,287,984	13.6	439,973	192.7
Still wines, table	10,754,060	10,559,344	(1.8)	10,002,875	5.6
Still wines, fortified	449,994	323,755	(28.1)	296,867	9.1
Vermouth	326,826	255,132	(21.9)	282,162	(9.6)

*Includes ale, stout, porter
Source: National Association of Beverage Importers, Inc.

Selected consumer price index

(Base: 1967 = 100)

	December 1982	January 1983	% Change	January 1982	Jan. '82 vs. Jan. '83 % Change
Cola	307.2	312.9	1.9	302.4	3.5
Other carbonated soft drinks	142.2	145.2	2.1	141.9	2.3
Noncarbonated drinks	139.0	141.0	1.4	138.0	2.2
Wine	235.6	235.6	0	232.2	1.5
Beer and Ale	212.6	213.3	.3	205.0	4.0

Source: U.S. Dept. of Labor
Bureau of Labor Statistics

The Consumer Price Index (CPI) is a measure of the average changes in prices over time of a fixed "market basket" of goods and services. The index measures price changes from a designated reference date which equals 100 (usually 1967). An increase of 22 percent, for example, is shown as 122. This change can also be expressed in dollars as follows: The price of a base period "market basket" of goods and services in the CPI has risen from $10 in 1967 to $12.20.

Domestic Beer Removals

(Barrels of 31 gals)

	October 1982	November 1982	% Change	November 1981	Nov. '81 vs. Nov. '82 % Change
Bottles and cans	12,008,499	11,397,298	(5.1)	10,763,745	5.9
Barrels and kegs	1,820,512	1,740,168	(4.4)	1,623,312	7.2
For export	235,637	181,843	(22.8)	198,420	(8.4)
Other	13,993	20,517	46.6	11,833	73.4
TOTAL	14,078,641	13,339,826	(5.2)	12,597,310	5.9

Source: U.S. Dept. of the Treasury
Bureau of Alcohol, Tobacco and Firearms

Domestic Wine Removals

(Wine gals)

	October 1982	November 1982	% Change	November 1981	Nov. '81 vs. Nov. '82 % Change
Still wines (bulk)	202,039	171,048	(15.3)	111,706	53.1
Still wines (bottled)	33,941,385	70,886,049	108.8	31,434,519	125.5
Effervescent wines (bulk and bottled)	6,547,842	2,852,600	(56.4)	3,906,441	(27)
TOTAL	40,691,266	73,909,697	81.6	35,352,666	109.1

Source: U.S. Dept. of the Treasury
Bureau of Alcohol, Tobacco and Firearms

Domestic Spirits Removals

(Wine gals)

	September 1982	October 1982	% Change	October 1981	Oct. '81 vs. Oct. '82 % Change
Whiskey	14,300,076	17,338,255	21.2	17,910,638	(3.2)
Brandy	1,210,106	1,205,772	(.4)	1,575,603	(23.5)
Rum	2,371,817	2,898,539	22.2	2,347,808	23.5
Gin	2,978,289	3,107,189	4.3	2,970,727	4.6
Vodka	8,117,053	8,859,929	9.2	8,735,824	1.4
Cordials & Liqueurs	3,087,686	3,539,497	14.6	3,548,523	(.3)
Cocktails & mixed drinks	637,653	482,221	(24.4)	652,521	(26.1)
TOTAL	32,702,680	37,431,402	14.5	37,741,644	(.8)

Source: U.S. Dept. of the Treasury
Bureau of Alcohol, Tobacco and Firearms

Blow-molded Plastic Bottle Production

(thousands of units)

	September 1982	October 1982	% Change	October 1981	Oct. '81 vs. Oct. '82 % Change
Plastic bottles (blow-molded)	1,315,007	1,292,920	(1.7)	1,275,276	1.4
Carbonated beverages	225,052	206,339	(8.3)	174,949	17.9

Source: U.S. Dept. of Commerce
Bureau of the Census

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Retail volume of powdered drink mixes

	1974		1975		1976		1977		1978		1979		1980		1981		1982		Change
	Vol.	Pct.	Vol.	Pct.	Vol.	Pct.	Vol.	Pct.	Vol.	Pct.	Vol.	Pct.	Vol.	Pct.	Vol.	Pct.	Vol.	Pct.	1981/82
General Foods																			
Kool-Aid*	406.5	54.9%	448.9	54.3%	473.3	52.0%	508.0	48.3%	506.0	45.5%	491.4	44.7%	486.5	43.7%	520.0	46.4%	546.0	47.9%	5.0%
Kool-Aid +	102.7	13.9	140.9	17.0	141.0	15.1	151.0	14.4	149.6	13.5	153.4	13.9	165.9	14.9	142.7	12.7	143.0	12.5	0.2
Country Time	—	—	—	—	39.0	2.0	50.0	4.8	61.7	5.5	72.8	6.6	72.4	6.5	64.4	5.8	62.2	5.5	(3.4)
Total	509.2	68.8	589.8	71.3	653.3	69.1	709.0	67.5	717.3	64.5	717.6	65.2	724.8	65.1	727.1	64.9	751.2	65.9	3.3
Borden																			
Wyler	135.4	18.3	130.9	15.8	114.5	12.2	105.0	10.0	62.4	5.6	62.4	5.7	67.2	6.0	98.4	8.8	153.6	13.5	56.1
Borden Prize	—	—	—	—	17.5	1.8	13.0	1.2	4.8	0.4	4.8	0.4	—	—	—	—	—	—	—
ReaLemon Crystals	—	—	—	—	—	—	—	—	—	—	—	—	9.6	0.9	12.0	1.1	7.2	0.6	(40.0)
Total	135.4	18.3	130.9	15.8	132.0	14.0	118.0	11.2	67.2	6.0	67.2	6.1	76.8	6.9	110.4	9.9	160.8	14.1	45.7
R.J. Reynolds																			
Hawaiian Punch*	—	—	—	—	—	—	—	—	52.3	4.7	37.0	3.4	29.1	2.6	22.3	2.0	15.2	1.3	(31.8)
Hawaiian Punch +	—	—	—	—	65.6	6.0	75.0	7.1	53.9	4.9	51.8	4.7	44.4	4.0	38.9	3.5	24.8	2.2	(36.2)
	—	—	—	—	65.6	6.0	75.0	7.1	106.2	9.6	88.8	8.1	73.5	6.6	61.2	5.5	40.0	3.5	(34.6)
Coca-Cola																			
Hi-C	—	—	—	—	—	—	—	—	46.7	4.2	44.4	4.0	37.5	3.4	32.2	2.9	—	—	—
Minute Maid	—	—	—	—	—	—	—	—	34.3	3.1	36.6	3.3	40.3	3.6	36.3	3.2	35.4	3.1	(2.5)
	—	—	—	—	—	—	—	—	81.0	7.3	81.0	7.3	77.8	7.0	68.5	6.1	35.4	3.1	(48.3)
Pillsbury																			
Funny Face	51.4	6.9	47.2	5.7	39.0	4.5	24.0	2.3	16.9	1.5	—	—	—	—	—	—	—	—	—
Squoze	—	—	—	—	18.5	1.9	14.0	1.3	2.5	0.2	—	—	—	—	—	—	—	—	—
Total	51.4	6.9	47.2	5.7	57.5	6.4	38.0	3.6	19.4	1.7	—	—	—	—	—	—	—	—	—
Lipton																			
Lemon Tree					—	—	—	—	—	—	21.0	1.9	23.0	2.1	11.5	1.0	4.0	0.4	(65.2)
Private labels & others	44.0	6.0	59.1	7.2	73.7	4.5	110.7	10.6	120.9	10.9	125.4	11.4	137.4	12.3	141.3	12.6	148.6	13.0	5.2
Total market volume	740.0	100.0%	827.0	100.0%	982.0	100.0%	1,050.7	100.0%	1,112.0	100.0%	1,101.0	100.0%	1,113.3	100.0%	1,120.0	100.0%	1,140.0	100.0%	1.8%
Total Sales ($ mil.)	$235		$420		$480		$500		$530		$552		$625		$770		$735		

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Institutional food service sales of concentrated drink mixes

	1976	1977	1978	1979	1980	1981	1982	Change 1981/82	1982 Market Shares Powders	1982 Market Shares Total
Powders										
General Foods										
Twist	5.2	5.4	5.7	6.3	8.8	8.9	8.9	—	17.5%	5.3%
Nestle										
Keen	2.6	2.8	[illegible]	3.4	4.1	4.3	4.8	11.6%	9.4	2.8
Amstar										
Dominade	3.6	4.1	4.6	3.2	3.5	3.6	4.1	13.9	8.1	2.4
Iroquois Grocery Products (Cramore)										
Dri-Syrups	0.8	0.8	0.8	0.9	1.0	1.5	1.8	20.0	3.5	1.1
Crystals	0.3	0.3	0.3	0.4	0.5	0.5	0.5	—	1.0	0.3
Total		1.1	1.1	1.1	1.3	1.5	2.0	15.0	4.5	1.4
Borden										
Wyler's	2.0	2.2	2.3	2.3	2.3	2.0	1.8	(10.0)	3.5	1.1
Nabisco Brands										
Royal	3.1	3.1	3.2	3.5	—	—	—	—	—	—
Private labels & others	22.4	26.1	28.5	28.0	32.1	29.2	28.9	(1.0)	57.0	17.1
Total powdered volume	40.0	44.8	48.4	48.0	52.3	50.0	50.8	1.6	100.0%	30.1
Syrups	100.0	110.0	115.5	114.3	116.0	118.0	118.0	—		69.9
Total drink mix volume	140.0	154.8	163.9	162.[illegible]	168.3	168.0	168.8	0.5%		100.0%
Total sales ($ mil.)	$105	$111	$116	$119	$135	$165	$170	3.0%		

Copyright: John Maxwell, Beverage Industry
June 24, 1983

$735 million powder market grows slowly, up only 1.8% in '82

SPECIAL REPORT—Powdered beverage marketers are hoping that their new aspartame-sweetened low calorie products can put some growth back into the marketplace. Total gallonage was up only 1.8% in 1982, dollar volume was down 4.5% to $735 million.

The decline in dollar volume was the result of shifts in consumer purchasing patterns away from presweetened and towards unsweetened versions which have a lower retail pricetag. In 1982, the two top selling unsweetened powders—Kool Aid and Hawaiian Punch—sold a combined 561.2 million equivalent gallons of product. In 1981, the gallonage was 542.3. Presweetened versions of the same brands went from 181.6 million gallons to 167.8 million.

gains

Only General Foods Kool Aid and Borden's Wyler brand, up 56.1% to 153.6 million gallons, had gains during the year. Kool-Aid unsweetened was up 5% to 546 million gallons. The presweetened version was up .2% to 143 million gallons.

Private label brands and "others" did show some gains, up 5.2% to 148.6 million gallons.

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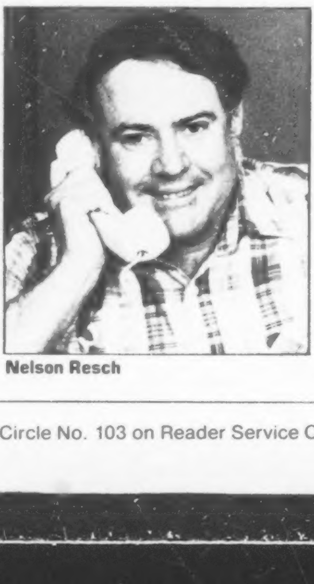

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Retail volume of instant breakfast drinks

(Mil. gal. equivalent, water-base beverages only)

	1974	1975	1976	1977	1978	1979	1980	1981	1982	Change 1981/82
General Foods										
Tang	62.0	56.6	54.9	65.0	68.3	68.3	61.5	63.5	61.0	(3.9)%
Start	1.9	1.2	0.7	0.3	0.1	0.1	0.1	—	—	
Borden										
Instant Breakfast	13.0	13.1	11.1	10.0	7.5	6.0	5.2	4.0	3.0	(25.0)
Private labels & others	16.1	11.1	11.7	9.7	12.5	14.2	12.9	8.2	8.7	6.1
Total volume	93.0	82.0	78.4	85.0	88.4	88.6	79.7	75.7	72.7	(4.0)
Total sales ($ millions)	$92.6	$106.2	$98.0	$106.8	$111.7	$119.0	$129.7	$145.0	$120.0	(17.2)%

Source: Lehman Brothers Kuhn
Loeb Research

Copyright: John Maxwell, Beverage Industry
June 24, 1983

Hoping that utilization of aspartame will help open a new segment, three major marketers of powdered beverages have introduced new versions:

- General Foods has debuted sugar-free Kool-Aid and Crystal Light.
- Thomas J. Lipton Inc., has a new version of its Lipton Iced Tea mix.
- Borden is set to roll out it's aspartame-sweetened version of Wyler's.

ad budgets

Borden reportedly has plans to back it's new product with a $20 million ad budget.

General Foods has also budgeted $20 million to back it's total Kool-Aid effort (includes unsweetened and both sugar- and aspartame-sweetened versions.) At presstime, no numbers were available on Crystal Light, being rolled out initially in 23 markets.

Positioned as an adult "soft drink", introductory commercials focus on fitness and tie-ins with local fitness centers are touted.

Retail volume of instant breakfast drinks was down in 1982, 17.2% to 72.7 million gallons with an estimated dollar volume of $120 million. Total powder sales to institutes was up slightly 1.6% to 50.8 million gallons. Sales of drink syrups to these outlets was up 0.5% in gallons, 3% in dollar volume.

New Crystal Light brand and Sugar Free Kool-Aid brand drink mixes are sweetened with aspartame and have four calories per 8-oz. serving

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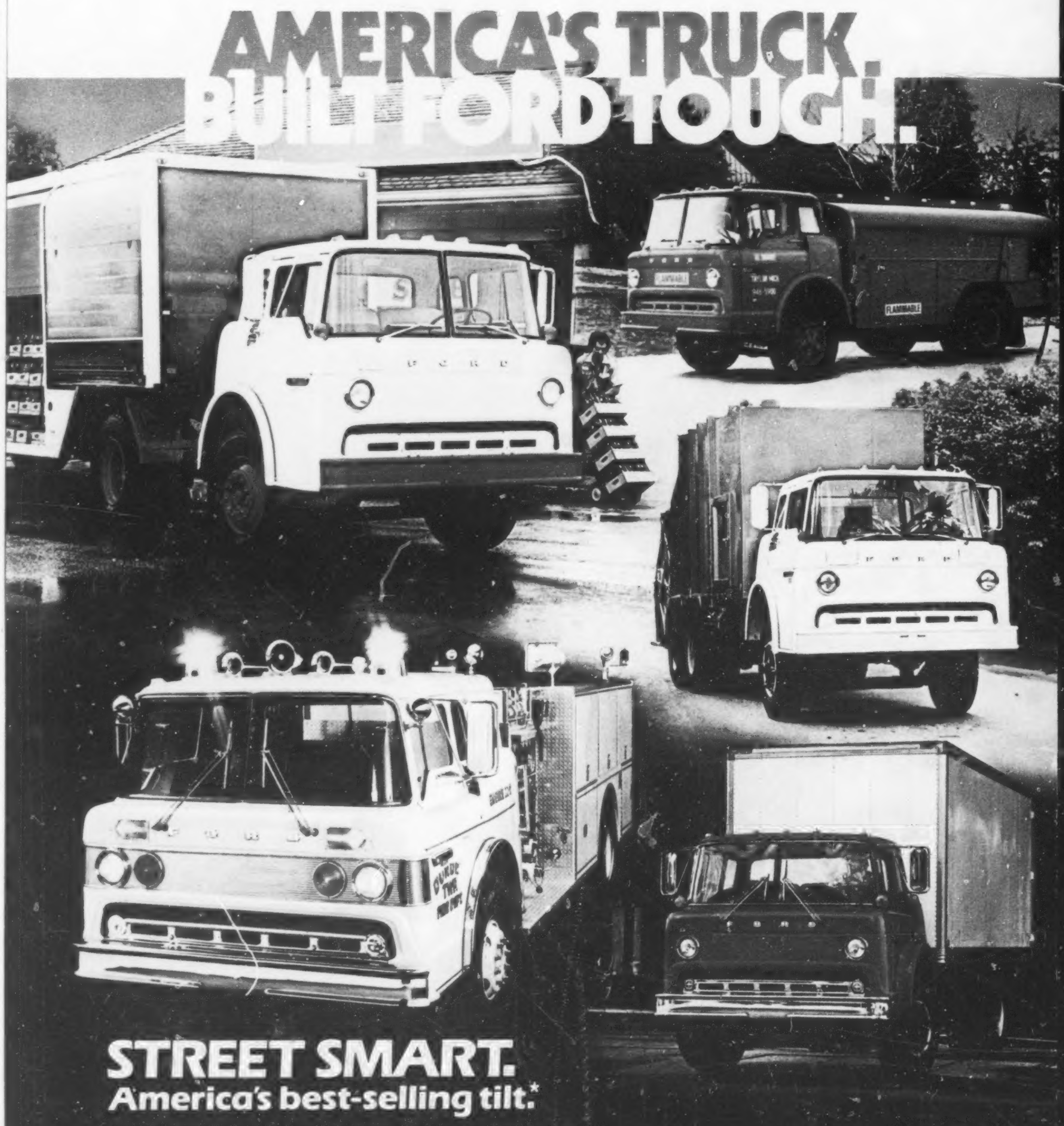

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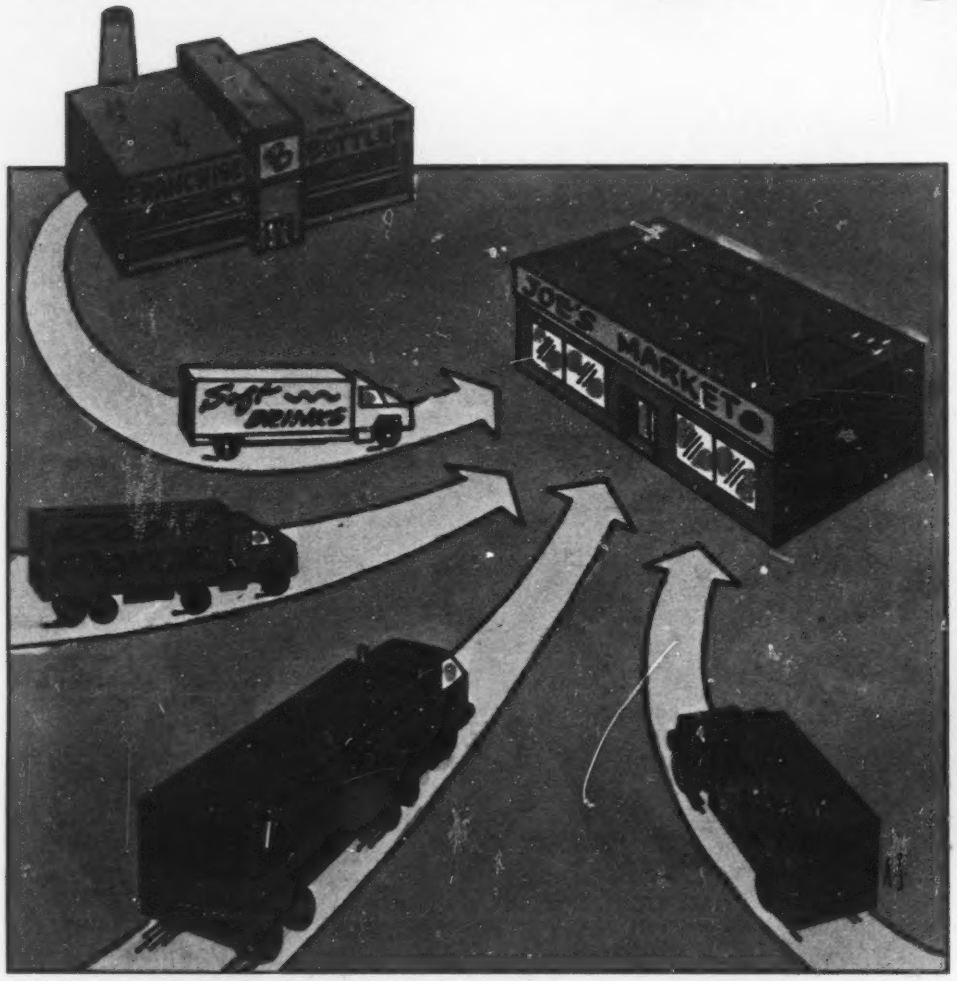

SD manufacturers find numerous ways to get new products on retail shelves

By Gary A. Hemphill

SPECIAL REPORT—While there can be no arguing the effectiveness of the bottler/franchise system used by most of the soft drink industry today, it's not practical for everybody.

Initial costs are high and it's not always the most feasible way to market new products, particularly those of smaller companies.

Contract packers, food brokers, and multiple beverage distributors are sometimes alternatives.

Shasta, for instance, is one of the larger "small" companies that has been enormously successful using contract packers. Last year, the company posted an 18.3% increase in sales.

MBC Beverages of New York, which just last year began manufacturing the

(Continued on page 26)

FTC's recision of Gallo order angers competition

WASHINGTON, DC—The Federal Trade Commission has vacated a 1976 consent order with E & J Gallo Winery limiting the company's relationship with its distributors. The broad scope of the order unnecessarily hindered Gallo's "ability to utilize many of the marketing devices that are freely employed by its competitors," according to the FTC.

The original consent order stemmed from a complaint alleging that Gallo, the market leader, made it difficult for competitors to gain access to effective distribution

(Continued on page 5)

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National forced deposit law in spotlight again

By Patricia Raber

WASHINGTON, DC — For the fourth time in the last decade, a bill espousing a national deposit law for beer and soft drink containers has been placed in the hopper by its tenacious proponents Sen. Mark Hatfield (R-OR) and Rep. James Jeffords (D-VT).

Like its predecessors, the Beverage Container Reuse and Recycling Act, (S. 1247 and H.R. 2960) would require that consumers place a 5-cent deposit on beverage containers bought at retail to reduce litter and government costs as well as promote recycling and energy conservation.

Even with this go-round, the same arguments for and against a national law are being resurrected and reiterated. A General Accounting Office report in 1980, and others conducted in New York and Michigan, contend

(Continued on page 20)

Heaviest portion of new 7UP campaign concludes

No Caffeine
No Artificial Colors
No Artificial Flavors
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NEW YORK — By now 96% of all American consumers have heard the Seven-Up Co.'s "no artificial flavor or color" message 21 times, the company estimates.

That's the result of what Seven-Up calls "the most massive multi-media program in the company's history." The campaign, which has angered competitors, wound down July 4 and is now on a normal Seven-Up advertising pattern.

The campaign was kicked off May 24 at a press conference that was beamed by satellite to six other cities from a hotel here.

It instantly spawned outcries from Seven-Up's major competitors who have been

(Continued on page 16)

BI Package of the Week

New contour PET with heat-transfer label (Therimage) makes debut in Sydney, Australia. For details, see page 20.

BI Week

- **Pepsi scores major coup with signing of Burger King fountain agreement. Firm picks up some 7 million additional gallons of sales—approximately $28 million, also significant presence in nation's number two fast food operation. Although Pepsi's syrup price was "slightly less" than Coke's, Burger**

(Continued on page 35)

Contents

Options numerous to get SDs on shelf

There are more ways to get a new soft drink on the retail shelf than any other food product.

While the bottler/franchise system is certainly the most popular, it's by no means the only way. Contract packers, food brokers and multiple beverage distributors have played important roles in getting new brands in stores and will continue to do so. Read what industry leaders have to say about alternate distribution systems. See **page 1.**

Forced deposit law resurfaces

Once again a national forced deposit law has been introduced in Congress and just like in the past the same arguments for and against such a law have been resurrected. The only thing that proponents and opponents seem to agree on is that this is one issue that won't disappear. Sponsors of the bill are Sen. Mark Hatfield (R-OR) and Rep. James Jeffords (D-VT).

"This is truly an uphill battle, but mandatory deposits are the wave of the future," said a staffer from Jeffords office. See **page 1.**

Contour-shaped PET a success

The Coca-Cola Bottling Co. in Sydney, Australia, has become the first to market a contour-shaped 1.25-L PET bottle as well as the first to offer a heat-transfer labeled soft drink container.

The bottler has reportedly increased sales with the new package and achieved better than expected results. See **page 1.**

Report says cans most profitable

A study commissioned by the Can Manufacturers Institute reveals that cans are the retailer's most profitable soft drink package in a non-deposit market, and the profit margin even increases in a deposit market while it declines for all other packages.

McKinsey & Co., which did the study, came to its conclusions based on the "direct product cost/profit" approach. Learn what suggestions McKinsey & Co. has for retailers and packers to increase their overall profitability of soft drinks. See **page 4.**

England's Brewex gets big turnout

More than 14,500 attended the Brewex beverage exposition held in Birmingham, England. An additional 17,740 attended the Pakex exposition held in an adjoining hall.

Editor Paul Mullins offers an in depth report and gives a booth by booth account of what the exhibitors had on display. See **page 4.**

Import beer sales outpace U.S. market

Although the import beer segment makes up only a small portion of the entire beer industry, it's one of the few growth areas.

According to a Beverage Marketing Corp. report, imports grew at a 9.6% clip while the overall industry was stagnant with a .4% growth in 1982.

Increased on premise consumption of the imports is what has led the small growth that industry has shown over the last five years. See **page 4.**

Japan SD industry down 2% in '82

For the fourth consecutive year, the industry has declined in Japan. Production of carbonated soft drinks in Japan showed a 2% decrease in 1982 over '81.

There were some isolated success stories. For the full report, see **page 14.**

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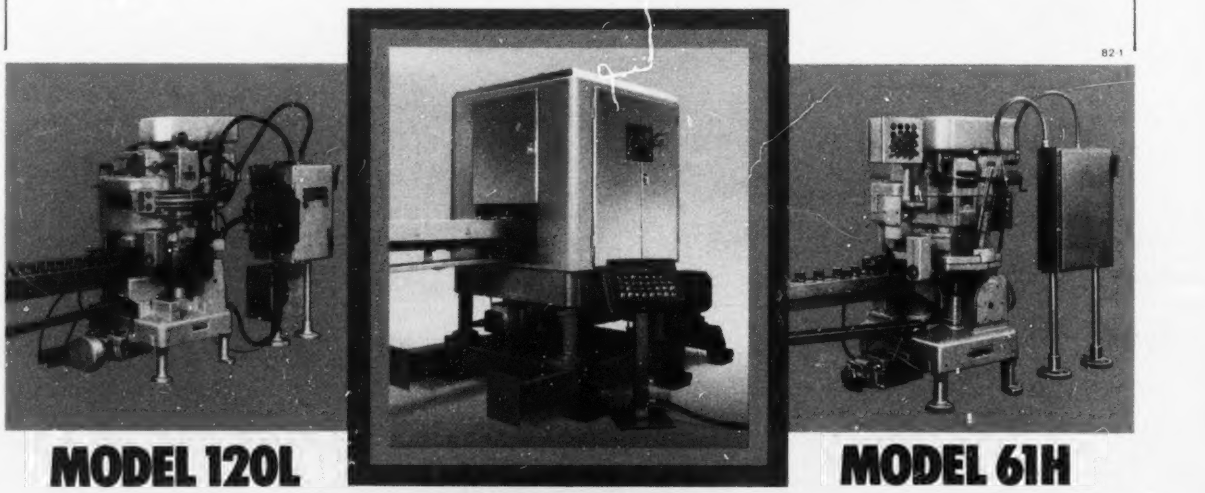

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On-premise consumption boosts import beer sales 9.6% in '82

By Holly Klokis

Regional import beer sales

Region	1980 Barrelage (000)	1980 Share	1981 Barrelage (000)	1981 Share	Percent change
Northeast	2,222.3	48.4%	2,468.0	47.3%	11.1%
South	574.5	12.5	688.8	13.2	19.9
East Central	696.1	15.1	798.9	15.3	14.8
West Central	98.2	2.1	111.4	2.1	13.4
West	73.5	1.6	85.8	1.6	16.7
Southwest	195.4	4.3	210.0	4.0	7.5
Pacific	737.4	16.0	858.0	16.4	16.4
Total Imports	4,597.4	100.0%	5,220.9	100.0%	13.6%

Source: Beverage Marketing Corp.
Bureau of the Census

Copyright: Beverage Marketing Corp., Beverage Industry
July 8, 1983

NEW YORK—Thanks to high on-premise consumption, imported beer market growth continues to outpace that of the U.S. beer market as it has done for the past five years. Although it only constitutes 3.1% of the total industry, imported beers grew by 9.6%, 1981-'82, versus total industry growth of .4%.

The "1983 U.S. Imported Beer Market," a report recently released by Beverage Marketing Corp. here, tracks these and other statistics on the imported beer market from 1976, including detailed regional information by brand for 1980 and '81.

Michael Bellas, president of BMC, attributes imports' success to a baby boom whose consumption patterns are evolving and maturing. Not only do these people prefer a stronger, more full-bodied beer, they're willing to pay more for it, says Bellas. The trend towards higher education has also bred a more discerning attitude, image consciousness and a desire for status, that, Bellas says, is exercised when it comes to alcoholic beverage choices.

Yet, while the import beer

(Continued on page 22)

CMI study calls cans most profitable package in forced deposit markets

NORMAL DSD HANDLING COSTS

DSD Package	Cents Per Fl. Oz.	Cents Per Container	Dollars Per Case	Cost as % of $ Sales
12 oz. can	.12¢	1.4¢	$ .34	3.7%
10 oz. NR glass	.33	3.3	.79	8.8
16 oz. NR glass	.30	4.8	1.15	10.6
28 oz. NR glass	.22	6.1	.73	8.8
32 oz. NR glass	.19	6.1	.73	6.6
1-liter plastic	.17	5.7	.34	6.6
2-liter plastic	.14	9.5	.57	6.1

Source: McKinsey & Company

Copyright: Beverage Industry
July 8, 1983

By Holly Klokis

WASHINGTON, DC — When the New York State bottle bill goes into effect, retailers will be expected to raise the price of soft drinks to cover the cost of additional handling. The actual cost of handling varies with each package—contingent on such things as package size and weight—but an across-the-board increase of $1 per case is generally expected.

However, based on the findings of a study recently concluded by McKinsey & Co. for the Can Manufacturers Institute, retailers could maintain the current price for cans and increase their profit margins once mandatory deposit goes into effect.

The report is based on data collected from a major grocery retailer operating stores in New Jersey, New York and Connecticut. The study examines retail handling costs by soft drink package and size for both direct store delivered (DSD) and warehouse brands.

Among the findings revealed in the study was that whether DSD or delivered through the warehouse, cans are the retailer's most profitable soft drink package in a non-deposit market, and even increase in profitability in a deposit market while all other packages decline.

McKinsey came to its conclusions using the "direct product cost/profit" approach rather than the gross margin technique. McKin-

(Continued on page 23)

Coors' TV network in third year of operation

Members of the Coors' video network team include Ron Parker (left), manager of corporate television, and Glen Plumleigh, producer.

By Soni Bayles

GOLDEN, CO—The video revolution has invaded corporate board rooms and training programs, which are quickly recognizing the inherent benefits of this new source of communication.

Among the most prolific users of the medium is the Adolph Coors Co., whose distributors' video network and its primary program, Second Century, go into their third year this summer. Established in 1980, shortly after Coors' centennial celebration, the program was named to commemorate the brewery's entry into its "second century" in business.

Peter Coors, president of Adolph Coors Co. Sales and Marketing Division, describes Second Century as "an opportunity for brewery people to go 'face to face' with

(Continued on page 15)

Over 14,500 attend Brewex exposition

BIRMINGHAM, GREAT BRITAIN—Over 14,500 people visited Brewex, the biannual beverage exposition held here recently in the National Exposition Center. The number was not a record, but an additional 17,740 attended the Pakex show held in the adjoining halls.

Exposition planners estimate that there were approximately 2500 visitors at the combined shows from overseas.

A record 316 companies—included 118 from 18 overseas countries, including the U.S.—had exhibits. There were 238 exhibitors—97 from outside Great Britain—at Pakex.

Winner of the bottled lager contest was British brewer Matthew Brown, followed by Mauritius Breweries and Banks of Barbados. Entries were received from most parts of the world including Australia, Bulgaria, Canada, West Germany, India and Nigeria.

On the exhibit floor, there were a number of significant equipment and packaging advances. The booth-by-booth review which follows provides details:

(Continued on page 6)

Food & Dairy Expo boasts record exhibits

ROCKVILLE, MD—Food & Dairy Expo '83, to be held Oct. 22-26, at McCormick Place, Chicago, may be the largest in its 64 year history, according to Keith Stolldorf, director of exhibits and membership for Dairy and Food Industries Supply Association.

He reports 308 companies have reserved 209,670 sq. ft. of exhibit space thus far with 24 company requests for almost 7,000 sq. ft. pending.

Beer

(Continued from page 4)

category is growing, it is only minimally at the expense of the other beer segments. Bellas notes that some super-premium, as well as some premium, beer drinkers have switched to imports, but for the most part, they are few in number. The majority of the category is made up of people who tend towards more expensive alcoholic drinks or wine, but will drink imported beer in a bar or restaurant. In fact, the fastest growing beverage in restaurants today is imported beer.

Supporting this observation is data collected by BMC in the report concerning imported beer sales in Standard Metropolitan Statistical Areas (SMSA). Most imported beer is drunk in metropolitan areas where there is a proliferation of bars and restaurants having imports available for on-premise consumption. In fact, those regions of the country having the greater number of SMSAs have the highest imported beer consumption, regardless of overall population. "There is no direct relationship between population and consumption," stresses Janet Fanshawe, vice president-marketing of BMC. The keys to consumption are the demographics of a market.

The Northeast, the site of 11 SMSAs, leads the nation in consumption of imports with a 47.3% share in '81. This region also includes the two leading SMSA imported beer markets nationally, New York and Boston, which together account for 22.6% of the nation's import consumption.

The Pacific region has the nation's second highest consumption, 16.4%, and is comprised of six SMSAs, including Los Angeles, the nation's third leading import consumer.

Chicago and Detroit, ranked 4th and 6th, respectively, for the nation's import consumption, are the only two SMSAs located in the East Central region, which accounts for 15.3% of the nation's import consumption. Those two cities alone consume over half of that region's imports.

The South, although the second highest populated region in the country (next to the Northeast), ranks 4th in regional consumption with 13.2%. Over one-quarter of this region's imports are consumed in Miami and Tampa/St. Pete, the nation's 8th and 10th leading SMSA imported beer markets.

The Southwest accounts for 4% of the nation's import consumption, with Dallas/Ft. Worth and Houston consuming almost half of that.

Minneapolis/St. Paul is the only SMSA found in the West Central region which consumes 2.1% of the country's imports. Nearly one-quarter of this region's imports are consumed in Minneapolis/St. Paul, ranked 25th nationally.

The Western region, accounting for 1.6% of national import consumption, claims Denver/Boulder as its only SMSA, which consumes 38% of this region's imports.

Regions by order of population are as follows: Northeast, South, East Central, Pacific, Southwest, West Central and West.

Although import beer sales gains are outpacing all other categories except light, Fanshawe expects the growth to slow to 7.5% by 1986, and then to 6% between 1986-'90.

Fanshawe attributes the slowdown in overall sales to a variety of factors: "There will be a drop in the heavy beer drinking 18-34 year olds. As they mature, as will their palates, and make higher incomes, they will shift to premiums, superpremiums and imported beers, wines and even spirits.

The current trend away from alcoholic beverages will continue, Fanshawe predicts, as awareness of alcohol abuse increases and as more emphasis is put on the dangers of drunk driving.

The BMC report also contains figures on advertising expenditures by brand for the 18 leading import brands. Heineken ranks first, spending over one-third of the total ad expenditures made for imported beer. Molson comes

Estimated leading imported beer brands—barrelage, market share

		1980		1981		Percent
Rank		Barrelage*	Share	Barrelage*	Share	change
1	Heineken	1,680.6	36.6%	1,970.0	37.7%	17.2%
2	Molson	839.8	18.3	1,031.6	19.8	22.8
3	Beck's	212.3	4.6	308.0	5.9	45.1
4	Labatt	222.6	4.8	290.3	5.6	30.4
5	Dos Equis	246.6	5.4	252.2	4.8	2.3
6	Moosehead	180.6	3.9	239.0	4.6	32.3
7	Guinness Harp	96.8	2.1	100.5	1.9	3.8
8	St. Pauli Girl	77.4	1.7	96.8	1.8	25.1
9	Tecate	72.4	1.6	76.9	1.5	6.2
10	Fosters	61.6	1.3	64.8	1.2	5.2
11	Grolsch	51.6	1.1	58.1	1.1	12.6
12	Carling O'Keefe	48.5	1.6	55.6	1.1	14.6
13	Old Vienna	46.7	1.0	53.0	1.0	13.5
14	Kronenbourg	22.6	0.6	42.0	0.8	85.8
15	Kirin	32.6	0.7	40.2	0.8	23.3
16	San Miguel	25.2	0.5	35.5	0.7	40.8
17	Carta Blanca	32.0	0.7	32.5	0.6	1.5
18	Tsing Tao	14.9	0.3	24.5	0.5	64.4
	Subtotal	3,964.8	86.2	4,771.5	91.4	20.3
	Others	632.6	13.8	449.4	8.6	(28.9)
	Grand Total	4,597.4	100.0%	5,220.9	100.0%	13.6%

*Barrelage in thousands

Source: Beverage Marketing Corp
Bureau of the Census

Copyright: Beverage Marketing Corp., Beverage Industry, July 8, 1983

Beer imports by country

		1980		1981		1982	
Rank	Country	Gallons (millions)	Share	Gallons (millions)	Share	Gallons (millions)	Share
1	Netherlands	55.5	39.2%	65.2	40.3%	72.2	40.5%
2	Canada	47.5	33.5	51.9	32.1	55.1	30.9
3	West Germany	14.8	10.4	18.2	11.2	23.5	13.2
4	Mexico	10.2	7.2	10.9	6.7	10.4	5.8
5	United Kingdom	3.1	2.2	3.3	2.0	3.5	2.0
6	Ireland	2.0	1.4	2.2	1.4	2.5	1.4
7	Australia	2.0	1.4	1.9	1.2	2.1	1.2
8	Japan	1.2	0.8	1.6	1.0	1.8	1.0
9	France	1.0	0.3	1.6	0.7	1.7	0.9
10	Philippines	0.7	0.5	1.2	0.7	1.1	0.6
11	China	0.4	0.3	0.8	0.5	0.9	0.5
12	Denmark	0.8	0.6	0.6	0.4	0.7	0.4
13	Norway	0.5	0.4	0.5	0.3	0.5	0.3
	Subtotal	139.7	98.7	159.9	98.8	176.0	98.6
	All Others	1.9	1.3	1.9	1.2	2.4	1.4
	Grand Total	141.6	100.0%	161.8	100.0%	178.4	100.0%

Source: Beverage Marketing Corp.
Bureau of the Census

Copyright: Beverage Marketing Corp., Beverage Industry, July 8, 1983

Regional U.S. beer markets—barrelage, share

	1980		1981		1982 (E)	
Region	Barrelage	Share	Barrelage	Share	Barrelage	Share
Northeast	42,238,000	23.7%	42,344,426	23.2%	42,708,725	23.3%
South	33,302,000	18.7	34,372,831	18.9	34,883,784	19.1
East Central	36,986,000	20.8	37,135,283	20.3	37,078,670	20.2
West Central	13,545,000	7.6	13,676,399	7.5	13,467,230	7.4
West	6,308,000	3.6	6,668,551	3.7	6,950,694	3.8
Southwest	19,501,000	11.0	21,272,274	11.7	21,690,336	11.8
Pacific	25,995,000	14.6	26,818,387	14.7	26,396,326	14.4
Total	**177,875,000**	**100.0%**	**182,288,151**	**100.0%**	**183,175,765**	**100.0%**

Source: Beverage Marketing Corp.;
State Regulatory Agencies

Copyright: Beverage Marketing Corp., Beverage Industry, July 8, 1983

Beer imports, all countries

	Gallons (millions)	Barrels (millions)	Percent change
1982	178.4	5.7	10.3%
1981	161.8	5.2	14.3
1980	141.6	4.6	2.8
1979	137.7	4.4	28.2
1978	107.3	3.5	36.0
1977	78.9	2.5	6.7
1976	73.9	2.4	42.0
1975	52.0	1.7	21.1
1974	42.9	1.4	22.3
1973	35.1	1.1	17.8
1972	28.9	0.9	1.0

Source: Beverage Marketing Corp.
Bureau of the Census

Copyright: Beverage Marketing Corp., Beverage Industry, July 8, 1983

U.S. Beer market categories by market share and % change

	1980	1981		1982	
Beer Category	Market Share	Market Share	% Change	Market Share	% Change
Premium	49.6%	49.4%	2.0%	46.6%	−(5.3)%
Popular	25.6	23.8	−(5.0)	23.8	0.7
Light	13.0	14.7	15.1	17.1	17.2
Super Premium	6.0	6.1	4.7	6.1	0.0
Malt	3.2	3.2	5.4	3.3	3.4
Imports	2.6	2.8	13.0	3.1	9.6
Total	100.0%	100.0%	2.5%	100.0%	0.4%

Source: Beverage Marketing Corp.
Bureau of the Census

Copyright: Beverage Marketing Corp., Beverage Industry, July 8, 1983

in at number two with 15.8%, followed by Beck's with 8.5%.

best selling

In addition to being the three top spenders, these are also the three best selling brews. Any corrolation between sales and advertising expenditures ends here. For example, Kronenbourg, which ranks 14th in barrelage sales, is the seventh leading advertiser. Fanshawe attributes the discrepancy to an unsettled market. "Many brands are still emerging," she notes. "Below the top sellers, it's still shaking out."

It is those emerging brands that are also causing a shift in the European vs. non-European beers imported into this country. In 1976, non-European beers held a 36.8% share of the market; today, that's up to 40%. The big gainers here, says Fanshawe, are beers from Canada, Mexico and the Far East. According to BMC statistics, Canada's Molson and Labatt are the second and fourth leading imports, respectively. Mexico is the fourth leading exporter of beer to the U.S., relying heavily on Dos Equis, Tecate and Carta Blanca, the fifth, ninth and 17th leading imports, respectively.

In addition to these statistics, the BMC study also tracks import per capita consumption, sales by state, region and brand, as well as basic demographic information.

The "1983 U.S. Imported Beer Market" study sells for $425. For more information, contact Janet Fanshawe, Beverage Marketing Corp., 866 Second Ave., New York, NY 10017; 212/688-7640.

Regional Breakdown

Northeast: Connecticut, Delaware, Washington, DC, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island and Vermont.

South: Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee and Virginia.

East Central: Illinois, Indiana, Kentucky, Michigan, Ohio, West Virginia and Wisconsin.

West Central: Iowa, Kansas, Minnesota, Nebraska, North Dakota, South Dakota and Missouri.

Southwest: Arizona, New Mexico, Oklahoma and Texas.

West: Colorado, Idaho, Montana, Nevada, Utah and Wyoming.

Pacific: Alaska, California, Hawaii, Oregon and Washington.

Portuguese carbonated mineral water available now in U.S.

New Canaan, CT—Pedras Salgadas, a naturally carbonated mineral water from Portugal, is being marketed in the United States by Pedras USA Inc., New York. Marketing efforts are underway in New York City, Connecticut and Long Island. Florida is targeted for market entry sometime in 1983 and California in 1984. It is sold in 32 oz. bottles, packed 12 to a case and 8 oz. bottles, packed 24 to a case. It's available in supermarkets, specialty and gourmet food shops, restaurants and food departments of major retail stores.

Pedras
Salgadas
Product of Portugal

A&W awards announced

New York—Brainerd Wadena Beverage Co., Brainerd, MN, won for the second year in a row the Allen & Wright Award for the highest combined A&W and Sugar Free A&W per capita development in the nation from A&W Beverages Inc.

Awards also were given to two Texas bottlers, Beaumont Coca-Cola and Uvalde Coca-Cola, for highest national per capita increase per territory population of over 500,000 and under 500,000 respectively.

National A&W achievement awards for Sugar Free A&W per capita development and growth were presented to Pepsi-Cola Oshkosh, and to Pepsi General Bottlers of Kenosha and Racine, WI, respectively.

Regional achievement awards went to: Soo Bottling Co., Sault Ste. Marie, MI; Coca-Cola Bottling Mideast Inc., Lexington, KY; Coca-Cola Bottling Co., Annapolis, MD; Western Wyoming Beverages Inc., Rock Springs, WY; Dr Pepper Bottling Co., Houston; Admiral Beverage Corp., Idaho Falls & Pocatello, ID; Inland Coca-Cola Co., Boise, ID; Pepsi-Cola Bottling Co., Corbin, KY; Dr Pepper Bottling Co., Bryan, TX; Charles A. Bernick Inc., St. Cloud, MN; and Coca-Cola Bottling Co., Great Falls, MN.

American wine expo scheduled

Dallas, TX — The American Wine Exposition, the first major event to showcase the U.S. wine industry, will be held here Feb. 3-5, 1984.

The exposition will offer an opportunity for wineries to present their products to retailers, restauranteurs, distributors and wine and food media.

It will also provide an extensive educational program with workshops, lectures and panels conducted by leaders and experts in the industry.

Inquiries may be sent to Becky Murphy, Turtle Creek Village, Suite 618, Dallas, TX 75219.

CMI

(Continued from page 4)

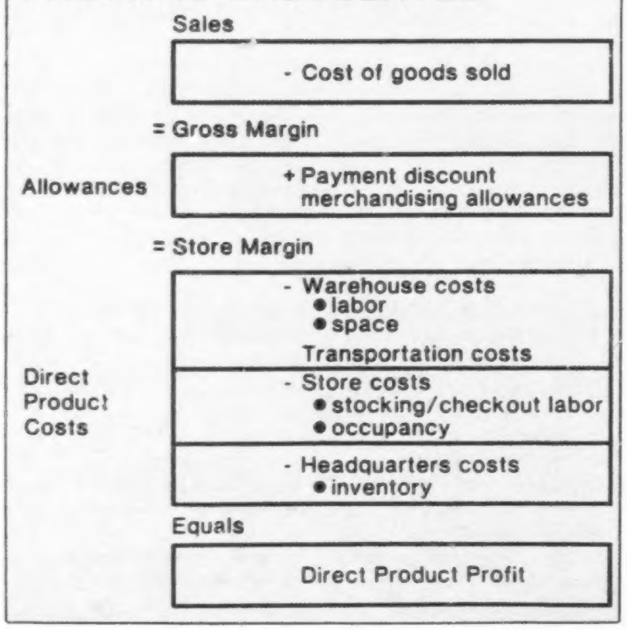
sey's approach goes beyond subtracting the cost of goods sold from the sale price to reveal gross margin. It then factors in payment discounts and merchandising allowances to determine store margin, and then subtracts direct product costs—warehouse costs, transportation costs, store costs and headquarters (inventory) costs—to derive direct product profit.

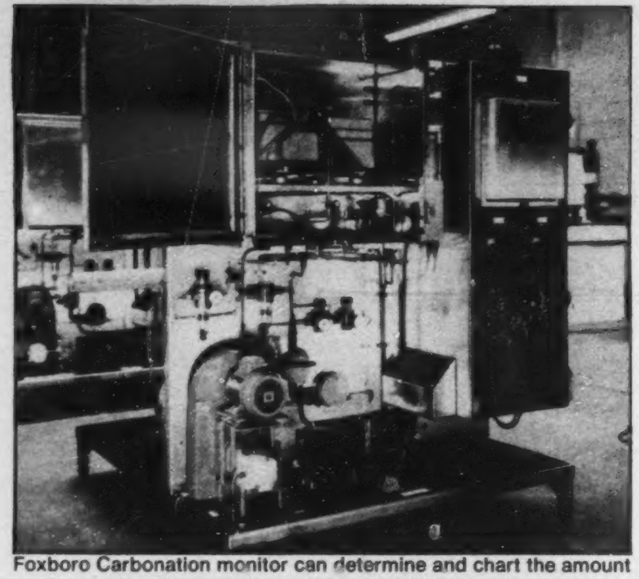
In a non-deposit market, where product is DSD, cans were found to be the most profitable largely as a result of low store handling costs and high profit yields per sq. ft. of shelf space.

After store costs are subtracted from a retailer's 20% profit margin, that margin is reduced to 16.3% for cans if the store is stocking. If the vendor is stocking, the profit margin is somewhat higher, at 18.7%. Second in profitability is 2-L PET with a 13.9% profit margin if store stocked, 16.8% if vendor stocked; 1-L PET delivers 13.4% store stocked, 16.5% vendor stocked; 32 oz. NR glass has a 13.4% profit margin when store stocked, 16.3%, vendor stocked; 28 oz. NR glass has profit margins

(Continued on page 24)

HOW DIRECT PRODUCT PROFIT IS CALCULATED





Foxboro Carbonation monitor can determine and chart the amount of carbon dioxide dissolved in liquids. Unit is designed for use in breweries and soft drink plants. It was shown in the Erben booth at the recently concluded Brewex.

Sarcmi was demonstrating a full range of new units for filling/capping beer in PET. Closeup view of filling valve and capping sections of one of the units is shown.

cartons flat and then tacks them down by heating, then cooling the surface of the gable. Other features of the new system are a new CIP capability, reduced energy consumption and lower noise levels. Speed: 140 imperial pints per minute. **Cherry-Burrell** also demonstrated its Unitherm 21 aseptic processing plant which is designed for UHT conversions. Another new product from this company was two versions of the Sentinel filling valves which feature double seat designs with a leak chamber vented to the atmosphere. Both may be rotally CIP cleaned with the Sentinel I utilizing an external CIP source to clean between the seats while the Sentinel II uses an internal system. The Sentinel II features independent lifting of the top and bottom seats for individual cleaning of each.

Circle no. 156 on service card

After a two-year research project **Schweppes** and **BXL** plastics have developed a new stretch-blow PVC bottle which the company will use to reintroduce its Kia-Ora line of concentrated juice flavors in the U.K. The new bottle is clearer than extrusion blown PVC, has improved impact resistance and is 20% lighter.

Circle no. 157 on service card

Auto Flush Systems, Ltd., a Canadian-based firm, exhibited its new softer version of super seals. The material used to construct these seals is about 15% softer than that used in the firm's original seals. FDA approved, the new seals can also withstand temperatures of up to 200°F with no loss of physical characteristics and can be hot sanitized without damage.

Circle no. 156 on service card

Two new labelling machines and two versions of filling/closing machines were demonstrated in the **Pirzer** booth. The Alfina labeler was described as a combination of a cheap and uncomplicated straight-through unit with the proved labelling technique of a rotary unit. Machine has a synchronously regulated bottle conveyor timed to the machine's speed (100 bpm capability). The 800 bpm Alpha can label body and neck, neck-around, back, champagne-type labelling and foiling. A date can be placed on front or back labels by use of a perforating device or color printing. The Bavaria-Nova "L" is a three-channel filling system with two-phase filling valves with long filling tubes. This means separated guiding of filling product, counter pressure gas and return air, which makes it ideal for beverages with CO_2 such as beer, lemonades, wines and champagnes. The Model: "N" is a one chamber unit with short air tube filling valves. It is designed for filling lemonades and carbonated soft drinks.

Circle no. 159 on service card

The new Meyer TriStar Bottle Filler was shown for the first time. Stainless steel unit is available with 52-, 65-, and 78-valves. Also exhibited by **Geo. J. Meyer** was a new uncaser called the Flight. It operates similar to the Hawk casing unit by a reciprocating action. New MX-2 and MX-3 can filling valves are capable of filling all cans in the 200 through 205.5 diameter range.

Circle no. 160 on service card

A new foiling machine was debuted by **Jagenberg.** Features of the unit are: positive top folding of foil, mirror-smooth finish on bottle top, foil perfectly molded onto closure and mouth of bottle, bottle height tolerances no longer affect foiling quality, elimination of readjustment to accommodate different height-bottles, no bottle rotation in the discharge wheel which allows stable transfer to discharge conveyor, larger brushing-on section in the labeler due to simplified bottle rotation requrements, press-on head universally suitable for all commercial bottle sizes and low maintenance.

Circle no. 161 on service card

Japan SD industry down for fourth straight year

By Sankichi Yamasaki

TOKYO—Production of carbonated soft drinks in Japan showed a 2% decrease in 1982 over '81, according to the Japan Carbonated Drink Inspection Institute.

The figure is based on the Japan Agricultural Standard, which represented 80% of the total population in 1982.

It was the fourth consecutive failing year for the soft drink industry here, which has been blamed on a weak economy and poor weather in the high consuming summer months.

Some categories did have a good year despite the economy, though. Production of club soda, carbonated drinks with milk and fruit, increased, but the traditional flavors were down.

Cola, lemon-lime, grape, orange and apple showed substantial decreases.

There were some other success stories, however. PepsiCo's Mountain Dew was introduced in Japan in 1982 and sold 9 million cases even though it was only marketed in Tokyo, Hokkaido and Okinawa. Most point to its market introduction in 300 ml Plasti-Shield bottles as the reason for its success, attracting young consumers.

Another isolated example of success in 1982 was Coca-Cola Japan's specialty drink, Realgold, which sold 200 million 140 ml bottles after being test marketed in 1981. Specialty drinks have done well in Japan, which means that the consumer here is willing to pay more for value.

Isotonic beverages also saw a dramatic increase with sales reaching 33 billion yen, a 30% increase over 1981. Sales are expected to reach 40 billion yen this year. Otsuka's "Pokali" is first in that category occupying 60% of the market.

Considering these few success stories, it appears the soft drink marketer in Japan should pay more attention to the new product to meet the demands of the growing segment of affluent, well-educated consumers here.

Fruit juice/drink production was down 3% compared to 1981. While 100% fruit juice products and low juice content products showed increases, all others in this category were down. This is a reflection of the economy where some consumers desire a high quality product but others are forced to choose the economical one.

Consumers also showed a tendency to purchase more paper-packed fruit juice drinks. Bottled products remained stable and canned lost substantially.

The government's reluctance to open the market to foreign fruit juice suppliers has been holding back this sector of the industry. Once the import restriction is lifted, the market is expected to grow five to 10 fold. The cost of local fruit juices is almost prohibitively high in comparison to that of other developed countries around the world.

Shipment of canned coffee was up slightly with only the top brands showing large increases and others suffering severe losses. The profit margin has been squeezed at all distribution stages because of the increasing cost of cans and it is forecasted that double digit growth will be nearly impossible this year.

Several new soft drinks have been introduced to this market. They include:

- Riviella, a whey based carbonated drink with alpine herbs that is manufactured by Kagome Co. Ltd. and sold by Riviella International of Switzerland;
- Capy White, a fermented milk drink that's non-carbonated and manufactured by Calpis Foods Co. Ltd.;
- Nisshin, a soy milk drink that's available in plain, coffee or mixed fruit flavor. It's packaged aseptically in Brik-Pak and manufactured by Nisshin Oil Co. Ltd.;
- UCC, a canned coffee drink of Cafe Aulait and Brazil Coffee that's produced by UCC Coffee Co. Ltd.

Market size of specialty drinks

Year:	Shipment Volume: kiloliter	Increase:
1978	87,800	8%
1979	115,000	31
1980	146,000	27
1981	165,000	13
1982	200,000	21

Source: Yamasaki International

Copyright: Beverage Industry, July 8, 1983

Japanese fruit juice/drink production by case sales

Category:	1981: (000)	1982: (000)	82/81:
Fruit Juice (100%)	26,082	27,235	4%
Fruit Juice Drink (50-99%)	33,442	29,692	(11)
Fruit Nectar (20-50%)	8,207	7,667	(7)
Fruit Drink (10-49%)	107,317	111,833	4
High Pulp Drink (10-100%)	36,028	28,692	(20)
Grand total	211,075	205,118	(3)

Copyright: Beverage Industry, July 8, 1983

Source: Japan Fruit Juice Association

Beverage Business Indicators

Glass Container Shipments

(thousands of gross) (not seasonally adjusted)

	October 1982	November 1982	% Change	November 1981	Nov. '81 vs. Nov. '82 % Change
Bottles	25,956	22,906	(11.8)	24,041	(4.7)
Beverage:					
Refillable	337	314	(6.8)	375	(16.3)
Nonrefillable	4,551	4,169	(8.4)	4,090	2
Under 10 oz.	109	61	(44)	73	(16.4)
10.0 to 15.9 oz.	1,445	1,177	(18.5)	1,214	(3.0)
16.0 to 16.9 oz.	2,696	2,528	(6.2)	2,312	9.3
17.0 and over	301	403	33.9	491	(18)
Beer:					
Refillable	33	41	24.2	188	(78.2)
Nonrefillable	8,889	7,562	(14.9)	7,987	(5.3)
Under 11 oz.	1,459	948	(35)	1,312	(27.7)
11.0 to 15.9 oz.	5,938	6,102	2.8	6,249	(2.4)
16.0 and over	692	512	(26)	426	20.2
Liquor:	1,447	1,260	(12.9)	1,230	2.4
Under 125 ml	84	104	23.8	89	16.9
126 to 275 ml	304	265	(12.8)	284	(6.7)
276 to 500 ml	203	154	(24.1)	165	(6.6)
501 to 800 ml	374	309	(17.4)	300	3
801 to 1000 ml	289	241	(16.6)	250	(3.6)
1001 ml and over	193	187	(3.1)	142	31.7
Wine:	718	686	(4.5,	662	3.6
Under 500 ml	126	125	(.8)	100	2.5
501 to 800 ml	336	309	(8.0)	300	3.0
801 to 1000 ml	20	11	(45)	224	(25.4)
1001 to 1600 ml	139	156	12.2		
Over 1600 ml	97	85	(12.4)	38	123.7

Source: U.S. Dept. of Commerce
Bureau of the Census

Closures for Beverages

(thousands of gross)

	October 1982	November 1982	% Change	November 1981	Nov. '81 vs. Nov. '82 % Change
Metal (for spirits, wines)*	57,473	53,276	(7.3)	40,875	30.3
Plastic (for spirits, wines)*	141,818	120,591	(15)	104,686	15.2
Metal Crowns (beer & soft drinks)	16,014	15,077	(5.9)	15,780	(4.5)
Soft drink (convenience types)	314	235	(25.2)	1,220	(80.7)
Soft drink (conventional types)	5,329	3,926	(26.3)	3,711	5.8
Beer (convenience types)	8,685	9,084	4.6	8,847	2.7
Beer (conventional types)	1,686	1,832	8.7	2,002	(8.5)
All metal closures other than crowns	6,039	5,591	(7.4)	4,232	32.1

*Thousand of units
Source: U.S. Dept. of Commerce
Bureau of the Census

Imported Beverages

(proof gals)

	December 1982	January 1983	% Change	January 1982	Jan. '82 vs. Jan. '83 % Change
Beer*	13,012,143	14,242,179	9.5	12,111,128	17.6
Whiskey	5,541,583	9,588,875	73	4,913,785	95.1
Brandy	564,443	633,657	12.3	461,742	37.2
Gin	482,505	356,085	(26.2)	291,493	22.2
Rum	71,254	103,626	45.4	34,654	199
Cordials & liqueurs	957,715	713,497	(25.5)	630,671	13.1
Others	655,164	974,742	48.8	678,662	43.6
TOTAL	21,284,807	26,612,661	25.0	19,122,335	39.2
Sparkling wines	1,287,984	1,011,300	(21.5)	534,751	89.1
Still wines, table	10,559,344	11,471,264	8.6	9,159,316	25.2
Still wines, fortified	323,755	236,174	(27.1)	159,281	48.3
Vermouth	255,132	291,689	14.3	215,138	35.6

*Includes ale, stout, porter
Source: National Association of Beverage Importers, Inc.

Selected Consumer Price Index

(base: 1967 = 100)

	January 1983	February 1983	% Change	February 1982	Feb. '82 vs. Feb. '83 % Change
Cola	312.9	312.5	(.1)	304.6	2.6
Other carbonated soft drinks	145.2	147.4	1.5	143.8	2.5
Noncarbonated drinks	141.0	140.6	(.3)	138.4	1.6
Wine	235.6	234.7	(.4)	234.2	.2
Beer and Ale	213.3	217.4	1.9	207.4	4.8

Source: U.S. Dept. of Labor
Bureau of Labor Statistics

The Consumer Price Index (CPI) is a measure of the average changes in prices over time in a fixed "market basket" of goods and services. The index measures price changes from a designated reference date which equals 100 (usually 1967). An increase of 22 percent, for example, is shown as 122. This change can also be expressed in dollars as follows: The price of a base period "market basket" of goods and services in the CPI has risen from $10 in 1967 to $12.20.

Domestic Beer Removals

(barrels of 31 gals)

	November 1982	December 1982	% Change	December 1981	Dec. '81 vs. Dec. '82 % Change
Bottles and cans	11,397,298	10,401,058	(8.7)	11,259,178	(7.6)
Barrels and kegs	1,740,168	1,865,047	7.2	1,648,054	13.2
For export	181,843	114,330	(37.1)	199,926	(42.8)
Other	20,517	7,276	(64.5)	12,907	(43.6)
TOTAL	13,339,826	12,387,711	(7.1)	13,120,065	(5.6)

Source: U.S. Dept. of the Treasury
Bureau of Alcohol, Tobacco and Firearms

Domestic Wine Removals

(wine gals)

	November 1982	December 1982	% Change	December 1981	Dec. '81 vs. Dec. '82 % Change
Still wines (bulk)	171,048	217,617	27.2	158,581	37.2
Still wines (bottled)	70,886,049	29,363,086	(58.6)	30,804,093	(4.7)
Effervescent wines (bulk and bottled)	2,852,600	3,991,433	39.9	2,724,113	46.5
TOTAL	73,909,697	33,572,136	(54.6)	33,686,787	(.3)

Source: U.S. Dept. of the Treasury
Bureau of Alcohol, Tobacco and Firearms

Domestic Spirits Removals

(wine gals)

	October 1982	November 1982	% Change	November 1981	Nov. '81 vs. Nov. '82 % Change
Whiskey	17,338,255	14,555,067	(16.1)	14,501,709	.4
Brandy	1,205,772	1,684,722	39.7	1,595,357	5.6
Rum	2,898,539	1,929,522	(33.4)	1,748,800	10.3
Gin	3,107,189	3,229,089	3.9	2,759,005	17
Vodka	8,859,929	9,364,272	5.7	8,459,470	10.7
Cordials & liqueurs	3,539,497	3,048,715	(13.9)	2,978,954	2.3
Cocktails & mixed drinks	482,221	705,482	46.3	691,601	2
TOTAL	37,431,402	34,516,869	(7.8)	32,734,896	5.4

Source: U.S. Dept. of the Treasury
Bureau of Alcohol, Tobacco and Firearms

Blow-molded Plastic Bottle Production

(thousands of units)

	October 1982	November 1982	% Change	November 1981	Nov. '81 vs. Nov. '82 % Change
Plastic bottles (blow-molded)	1,292,920	1,279,830	(1)	1,201,025	6.6
Carbonated beverages	206,339	205,048	(.6)	175,372	16.9

Source: U.S. Dept. of Commerce
Bureau of the Census

Copyright: Beverage Industry, July 8, 1983

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SOFT DRINKS ☐ BEER ☐ BOTTLED WATER ☐ WINE ☐ POWDERS ☐ JUICES ☐ SPIRITS
JULY 22, 1983

Beverage Industry

MARKETING ☐ DISTRIBUTION ☐ TECHNOLOGY
AN HBJ PUBLICATION

Miller, Sapporo sign contract for Miller export

Milwaukee—Miller High Life Beer will be exported for sale in Japan starting this summer, under a multi-year agreement announced recently by executives of Miller Brewing Co. and Sapporo Breweries Ltd.

Earlier this year, Miller announced it had signed an agreement with Carling O'Keefe Breweries of Canada Ltd., authorizing it to brew and market Miller High Life in that country.

The export and marketing

(Continued on page 7)

BI goes monthly

Effective with the next issue, Beverage Industry is changing its frequency to monthly. See "Editorial," page 42.

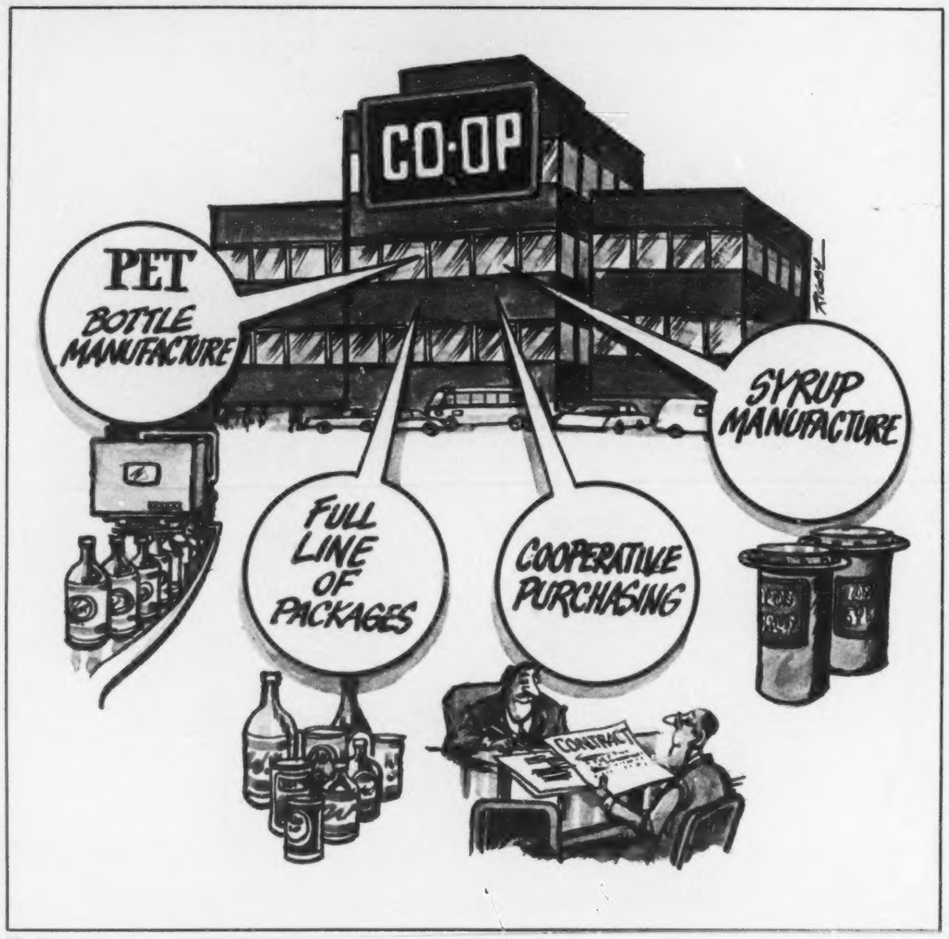
BI Week

- **In the wake of FDA's approval of aspartame for use in soft drinks, NSDA and two other "interested parties" were considering "their options". Among them: an official comment in response to the ruling asking that the approval be stayed, pending completion of additional studies. No major soft drink franchise firms appeared to be ready to test market an aspartame-sweetened prod-**

(Continued on page 37)

New co-op services give small bottlers big clout

by Holly Klokis



Special Report—Some 15 years ago, a strange evolution began taking place in the beverage industry: small bottlers, unable to afford to install can lines, grouped together pooling their money and opened centrally located canning cooperatives.

At its inception, the sole function of the cooperative was to package cans for its members. Today, many of those same co-ops offer a host of services: high speed multiple canning and bottling lines, cooperative purchasing, PET self manufacture, and, in some cases, even own franchises.

The benefits for the co-op members are strictly bottom line. Take co-op buying, for example. Calls to a number of general managers revealed that co-ops are purchasing a lot more than just cups for their members these days. Vending machines, crowns, caps, bottles, sugar, HFCS, coolers, water treating chemicals, cartons, paper wraps, trucks and tires are being purchased by the co-op and then sold to members for just a fraction more than cost.

"Cooperative buying gives many of the small bottlers the purchasing power of larger plants," says Raymond Fisher, general manager of Laurel Packaging, Inc., a Pepsi co-op in Johnstown, PA. In addition to the price advantage of being able to buy in large lots, Fisher also mentioned the shorter delivery time afforded larger accounts.

Typically, when selling purchased goods to bottlers, a co-op will charge the cost of the items plus a handling fee, somewhere around 1%. Profit, here, is not the objective: it's service.

Many co-ops that started out with just a canning line have expanded to also produce a full line of glass and 2-L packages.

The result has been the closing of many smaller bottling facilities, which have now become distribution centers.

These smaller plants could not, according to Alan Woodruff, general manager of Clinton's Ditch, Cicero, NY, match the efficiencies and low cost of the high speed bottling lines that many co-ops have. And, "the high cost of money prevents people from upgrading their plants," says Woodruff. Instead, the smaller plants have found it more cost efficient to put their money into one centrally located bottling line than upgrading each individual plant.

Between the high speed equipment and the large

(Continued on page 27)

Revamp food safety laws to reflect science: NSDA

Washington, DC—The soft drink and packaging industries have finally gotten their chance to implore Congress to modernize the current food safety laws, outdated by advances in science and technology since they were amended in 1958.

At recent hearings before the Senate Labor and Human Resources Committee, the National Soft Drink Association (NSDA), Society of the Plastics Industries (SPI) and other food industry groups stressed the need to revamp the policies that led to the saccharin and acrylonitrile controversies of the recent past.

Laws must be adapted to be consistent with contemporary science. Otherwise, government "could be forced to

(Continued on page 26)

BI Package of the Week

Canada Dry's free carry-all give-away helps promote multiple purchases; about two-thirds of all Canada Dry bottlers are participating. See page 25.

Beverage Industry

Canada Dry sales up 9% despite new competition

NEW YORK—Canada Dry and A.C. Nielsen reported first quarter sales of Canada Dry's mixers increased 9% over a year ago. This sales increase includes Ginger Ale, Club Soda, Seltzer and Tonic Water.

According to Nielsen's report, Canada Dry now boasts a 32.7% share of the mixer market for the 12 months ending March 1983, up one full share point from 1982.

Fran Mullin, president of Canada Dry USA, is optimistic and sees more growth in the mixers' future.

"Canada Dry mixers are right on top," he says. "And, despite new competitive activity from Seagram's, the Canada Dry line is showing phenomenal growth in both the New York and Maine markets, Seagram's initial launch markets."

Indeed, Mullin should be thrilled with Nielsen's New York figures. In that metropolitan area alone, Canada Dry says its mixers experienced a "dramatic" increase in the first quarter with case sales up 20% for the January-March period. In fact, Canada Dry reports it captured a 19% share of the New York mixer market in February-March alone, up 1.4 share points from a year ago. Schweppes had a 7.7% share and Seagram's 2.8%, according to the company.

Dennis E. Berberich, president of Canada Dry Bottling of New York, attributes the mixers' growth to "the outstanding local marketing and promotional programs executed by our sales management team and distributor network."

Adds Berberich, "This field performance was supported by an extraordinary media thrust from Canada Dry USA. As a result, the total mixer category increased for

(Continued on page 25)

Canada Dry mixers market share

	February-March total U.S. market share percentages			
	1981-82	1982-83	Point Change	Percentage increase vs. prior year
• Sparkling Water				
—Category				+2
—Canada Dry Water	23.2	23.5	+0.3	+3
• Tonic				
—Category				+1
—Canada Dry Tonic	34.3	34.9	+0.6	+3
• Ginger Ale				
—Category				+6
—Canada Dry Ginger Ale	33.8	36.7	+2.9	+15
• Total Selected Mixers				
—Category				+4
—Canada Dry Mixers	30.9	32.8	+1.9	+11

Source: A.C. Nielsen Co.

Copyright: Beverage Industry and A.C. Nielsen Co., July 22, 1983.

Moosehead ad blitz aims at summertime sales increase

NEW YORK — Moosehead Canadian Lager Beer has stepped up its marketing campaign in the U.S. with sites on a summer sales surge.

Intensive newspaper, television and radio advertisements have begun with the theme that Moosehead is "Head and Antlers Above the Rest."

The campaign is costing more than $1 million and will run through the rest of the year.

National print ads are appearing in Omni, Sports Illustrated, Road & Track, National Lampoon and daily newspapers around the country.

Radio ads, which began in March, recount the "Legend of Moosehead," and television commercials, which began in May, are being clustered around peak audience programs like news and sports.

In addition, the Moosehead sales promotion programs, both for restaurants and retail stores, has expanded. The centerpiece of the instore materials is a 5 ft. "giant bottle" floor stacker capable of

(Continued on page 28)

$145 price-off coupon offer accompanies 12-pack return

by Lane Stewart

ATLANTA, GA—The 12-can-pack is back at The Atlanta Coca-Cola Bottling Company. To mark its return as a permanent part of the company's packaging mix, Bill Hoffman, vp-sales and marketing, has spearheaded what is believed to be the biggest on-package coupon offer to date in the soft drink industry.

The promo features a combined savings of $145 at four Atlanta area attractions: Six Flags Over Georgia theme park, the Westin Peachtree Plaza Hotel, Georgia Theatre Company Theatres (including those in Macon, GA), and any greater Atlanta location of Chick-fil-A.

Package manufacturers have long touted the advertising merits of the 12-pack.

(Continued on page 6)

Coke
TaB
FANTA

The Atlanta Coca-Cola Bottling Co. is using Mead Packaging's Duodozen, marking the return of the 12-can pack.

Citrus Central accepts first grape producer

ORLANDO, FL — Citrus Central, Inc., an agricultural marketing and supply cooperative based here, has announced it has finalized a membership agreement with Yakima Valley Grape Producers, Inc. of Grandview, WA.

Under terms of the agreement, Yakima Valley Grape Producers will be a full participating member in Citrus Central utilizing its marketing, supply and data processing services.

According to E. C. Mooney, senior vice president for industry and public affairs, Citrus Central will provide expanded markets for Yaki-

(Continued on page 24)

Lipton scores U.S. first: isotonic in aseptic pkg.

MIAMI — Thomas J. Lipton Inc. has introduced Pripps Pluss, a quick-energy beverage, in the aseptic Brik Pak carton in southern Georgia and Florida, according to Rita J. Simpson, public relations manager with Brik Pak, Inc., Dallas.

Pripps Pluss was developed by A. B. Pripps, a 150-year-old manufacturer of malt beverages, mineral water, soft drinks and fruit juices, headquartered in Stockholm, Sweden.

Lipton has been licensed by Pripps to manufacture the product using the Pripps formula and market it in the U.S., Simpson said.

"Lipton chose Florida for the initial introduction specifically because it is a Gatorade stronghold," said Norman Waterman, president of Pripps, Inc., citing the new beverage's well-established, best-selling competitor.

"We have been researching Pluss for more than five years," explained Waterman. "Our initial work was done in cooperation with the Swedish Olympic teams. In the months and years since, we have consulted with the preeminent sports institutes and physiologists in the world to produce a beverage unlike any other."

The challenge Pripps claims it faced in developing Pluss was to create an electrolyte drink that tasted good enough so athletes would be encouraged to drink enough to get the liquid and glucose replacements they needed. Pripps also wanted to improve taste.

In the process, researchers also wanted to improve the energy factor as well, said Waterman.

"The key to this type of beverage is how fast its essential components enter the bloodstream," Waterman said, claiming, "Pluss's formula allows essential elements to be absorbed by the body when it needs it the most — during actual physi-

(Continued on page 8)

Ready-to-serve packages boost citrus juice sales

LAKELAND, FL—Most citrus products distributed in ready-to-serve cartons, bottles and plastic were up in market share percentage points in 1982, while the brunt of the losses were taken by frozen concentrated citrus juices and synthetics, says *Citrus Digest* which is published monthly by the Florida Department of Citrus Market Research Department.

Last year, frozen concentrated orange juice (FCOJ) was down 3%, canned orange juice down 17% and ready-to-serve, somewhat of a bright spot, was up 2%, according to George DeJager, market research director with the Florida agency. DeJager cited, however, that year-end Nielsen figures show no change in orange juice trends from year to year.

According to Nielsen, DeJager reported, FCOJ was down 2%, canned was down 8% and ready-to-serve was up 2%, concluding the entire juice market showed no change from 1981. The citrus department's research showed, in slight contrast, that the total orange juice market was down by 2% in total market share.

DeJager said 1982 was the third year in a row over 800 million gallons of citrus juice were sold at the retail level, and those 800 million gallons accounted for the $2.5 billion in sales.

DeJager projects a resurgence in the orange juice market this year, especially in the ready-to-serve category.

"Orange juice is starting to take off again," he predicts. "The ready-to-serve has a lot to do with that."

The total grapefruit juice market was down 1%, according to DeJager and *Citrus Digest* research. The total number of gallons sold at the retail level was down by 3% from year to year, with ready-to-serve down 7% and canned, a bright spot, up 4%.

"Unfortunately, grapefruit juice has not done very well in recent years," he added.

Other 100% fruit juices were up in total gallons by 3% last year, while total juice drinks were down 4%, DeJager reports. The biggest losers, he says, were frozen concentrated synthetics and powdered breakfast drinks. ☐

Consumer purchases of fruit juices and fruit drinks

(Based on December to November season)

	Millions of Single Strength Gallons Purchases Year-To-Year			Monthly Share of Fruit Beverage Market		
	1982	1981	% Change	1982	1981	Point Change
Total Fruit Beverages	1496.74	1509.91	−1%	100.0%	100.0%	0.0 pts.
Total Fruit Juice	1122.44	1119.56	NC	77.6	75.0	+2.6
Total Orange Juice	683.71	698.73	−2	46.7	44.7	+2.0
Frozen Concentrated Orange Juice	500.23	517.54	−3	33.6	32.3	+1.3
Ready-To-Serve In Bottles, Cartons, Plastic	159.33	156.36	+2	11.5	10.8	+.7
Ready-To-Serve In Cans	14.64	17.59	−17	1.0	.9	+.1
Total Grapefruit Juice	66.45	60.40	+10	4.1	4.1	0.0
Frozen Concentrated Grapefruit Juice	14.50	12.93	+12	.9	.8	+.1
Ready-To-Serve In Bottles, Cartons, Plastic	13.27	14.44	−8	.9	.9	0.0
Ready-To-Serve In Cans	38.32	32.86	+17	2.3	2.4	−.1
Total Other Fruit Juices	372.27	360.42	+3	26.8	26.2	+.6
Frozen Concentrated Juices—Other Flavors	121.42	101.15	+20	8.5	7.4	+1.1
Ready-To-Serve In Bottles, Cartons, Plastic	158.59	177.14	−10	11.9	12.3	−.4
Ready-To-Serve In Cans	87.96	91.79	−4	6.0	6.2	−.2
Total Fruit Drinks	374.32	390.35	−4	22.4	25.0	−2.6
Total Orange Flavored Drinks	126.81	140.11	−9	8.1	9.3	−1.2
Frozen Concentrated Regular and Synthetics	15.57	24.09	−35	.9	1.2	−.3
Ready-To-Serve In Bottles, Cartons, Plastic	20.41	20.51	NC	1.0	1.3	−.3
Ready-To-Serve In Cans	9.95	10.08	−1	.4	.8	−.4
Powdered Instant Breakfast Drinks-Orange	80.88	85.41	−5	5.7	6.1	−.4
Total Other Flavored Drinks	247.50	250.22	−1	14.3	15.7	−1.4
Frozen Concentrated Drinks-Other Flavors	81.83	94.36	−13	3.4	4.0	−.6
Ready-To-Serve In Bottles, Cartons, Plastic	81.43	78.06	+4	5.9	5.8	+.1
Ready-To-Serve In Cans	77.96	77.81	NC	4.6	5.9	−1.3

Source: Florida Dept. of Citrus

Copyright: Beverage Industry, July 8, 1983

Firm sees juice declining in Europe, Brazil markets

LONDON—Having more than doubled to 3.4 billion liters in the decade to 1982, European fruit juice consumption has been predicted to decline for the rest of the 1980s, says a new Europe-wide industry survey.

Canadean Limited, located here, conducts business planning and research for the food and beverage industries and presented its results at a recent seminar on the European juice industry here.

The survey shows that, although likely to grow considerably faster than most other soft drinks categories, sales of fruit juice in Europe are not expected to maintain the remarkable double-digit growth rates which characterized the industry during the 1970s, Canadean reports.

In the key German market, which now accounts for some 37% of total European fruit juice volume, consumption is forecast to expand at around 4% a year in the period to 1985, and then decelerate further to just over 2% a year for the next five years, according to Canadean.

However, less developed

Brazil: frozen concentrated orange juice, short-term outlook (July-June, crop year)

(Million gallons, 42° brix)

	1980-81	1981-82	Estimate 1982-83	1983-84
Beginning stocks	21	13	6	32
FCOJ production	165	202	193	209
Total availability	186	215	199	241
Export	168	203	161	165
Domestic consumption	6	6	6	7
Ending stocks	13	6	32	69

Source: Schnittker Associates, Washington; Canadean Limited

Copyright: Beverage Industry, July 22, 1983

Share of citrus in total juice, nectar, fruit juice drink consumption

(% volume)

	1981	1985	1990
Germany (BRD)	63	57	55
UK	73	70	67
Spain	34	38	37
Italy	9	10	11
France	52	50	48
Netherlands	49	48	47
Belgium	71	65	60

Source: Canadean Limited, 1983

Copyright: Beverage Industry, July 8, 1983

Outlook for consumption of juices, nectars, fruit juice drinks

(volume)

	% per annum 1981-85	% per annum 1985-90	Forecast 1990 million litres
Germany (BRD)	3.9	2.1	2200
UK	8.8	4.7	925
Spain	5.3	4.4	267
Italy	7.7	3.8	267
France	7.7	6.4	601
Netherlands	1.5	0.9	323
Belgium	3.5	5.8	155

Source: Canadean Limited, 1983

Copyright: Beverage Industry, July 22, 1983

markets such as France, Spain and the United Kingdom are likely to outperform Germany, with projected annual growth rates over double that anticipated for the German market, but still below their own "historic" consumption trends, says the survey.

As far as flavors are concerned, reports Canadean, citrus flavors (especially orange) are forecast to lose market share in the years ahead, giving way principally to apple, and to a lesser extent, to pineapple and exotic fruits such as passion fruit and mango.

In Germany, citrus flavors are expected to drop from 63% of total juice consumption in 1981 to 55% in 1990; in the UK from 73% to 67%, the survey projects.

Canadean's survey also included the latest numbers from Brazil. According to the survey, slower growth, coupled with the swing toward non-citrus flavors, may have serious implications for Brazil's rapidly developing orange juice industry, which is already heavily dependent on exports to Europe.

A paper presented at the seminar by Schnittker Associates, Washington, DC shows that in 1983-84, (July-June crop year), while production of frozen concentrated orange juice is expected to rise by 8% to 209 million gallons, exports from Brazil are likely to rise by less than 2.5%, so that the carry-over during the coming season will more than double to 69 million gallons, Canadean reports.

> ***"Sales of fruit juice in Europe are not expected to maintain the remarkable double-digit growth rates which characterized the industry during the 1970s."***

Another factor behind the decelerating juice offtake from Brazil, is the growth of lower juice content juice drinks, says Canadean. These range all the way down to more than 6% juice and have been especially buoyant in Germany. According to a paper presented by the Rickersten Co. of Hamburg, Canadean found, juice drinks and lemonades have grown by 9% a year since 1977. This represents a market of some 212 million liters in Germany alone. According to Canadean, they include major brand names like Sunkist, Fanta (Coca-Cola) and Capri-Sonne (Capri Sun.)

Full seminar proceedings and survey are available from Canadean Limited, 1 Langham Place, London, W1N 7DD. ☐

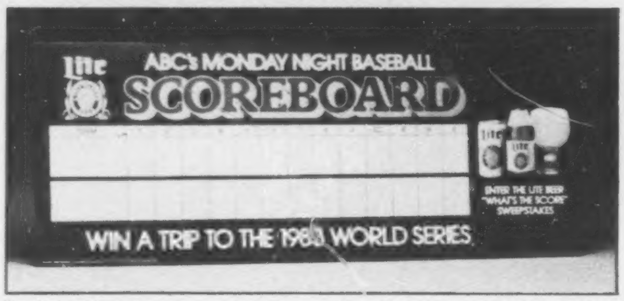
PepsiCo announces 3 appointments

PURCHASE, NY—D. Wayne Calloway has become executive vice president and chief financial officer of PepsiCo Inc., replacing Herman A. Schaefer, who continues as director and financial consultant.

Terrance A. Collins elected a senior vice president and head of Food Service Ops., which includes Pizza Hut, Taco Bell and PepsiCo Food Service International.

Michael H. Jordan has been elected a senior vice president and president of Frito-Lay Inc.

Miller Lite sweepstakes ties baseball to beer


Lite
ABC's MONDAY NIGHT BASEBALL
SCOREBOARD
ENTER THE LITE BEER "WHAT'S THE SCORE" SWEEPSTAKES
WIN A TRIP TO THE 1983 WORLD SERIES

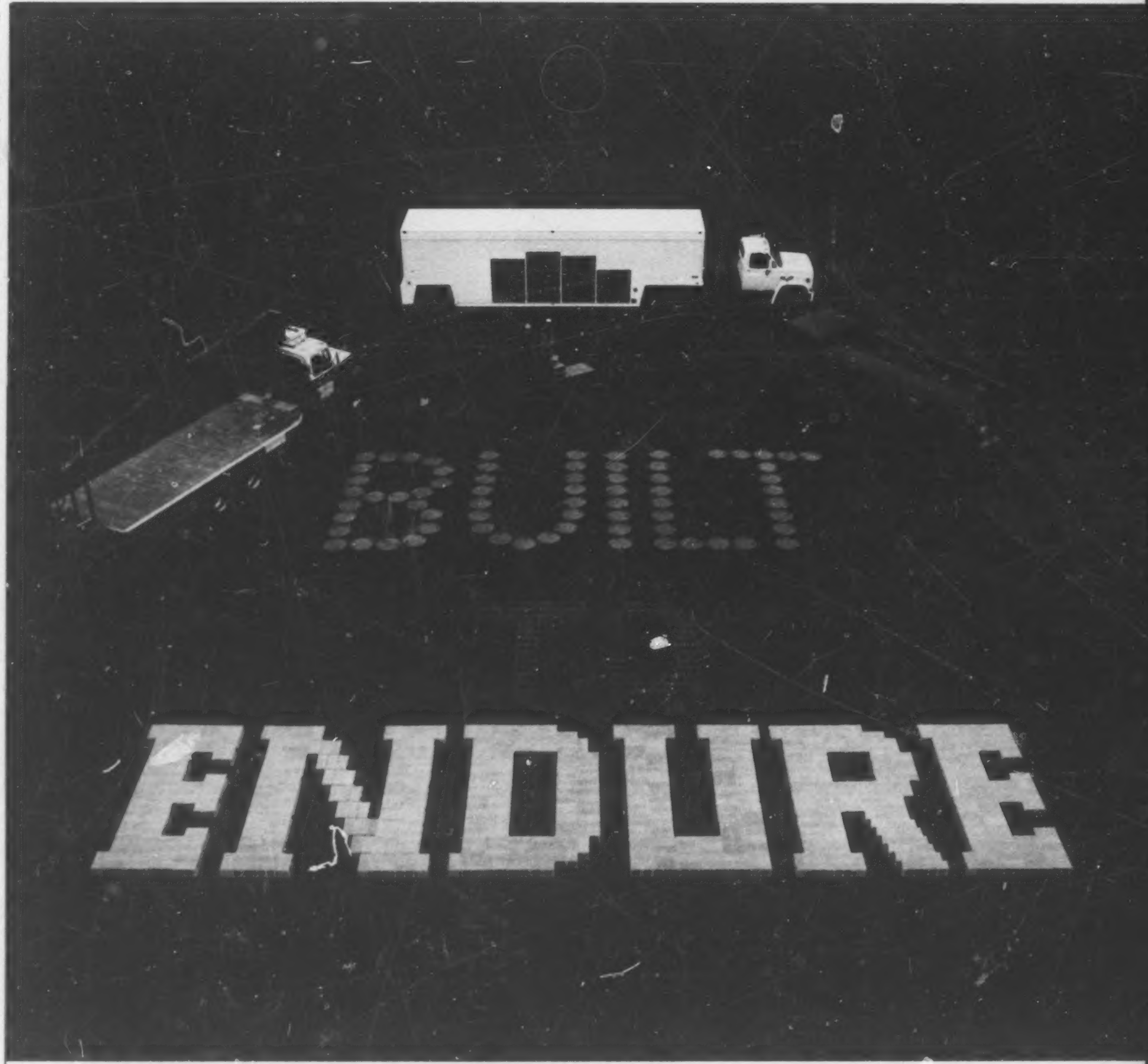
Participating taverns and restaurants will receive scoreboards to record inning-by-inning scores.

MILWAUKEE — Monday Night Baseball scores will be the key to entries in the new Lite beer "What's the Score" sweepstakes. The contest is currently running and ends Aug. 22.

To be eligible, entrants must correctly complete the score from an ABC-televised Monday Night Baseball game on entry forms available at taverns and restaurants. Grand prize winners in the contest will receive trips for two to the first two games of the 1983 World Series, according to Miller spokesman Steve Forsyth.

Twelve grand prizes will be awarded and color television sets will be given to 100 first prize winners.

Participating taverns and restaurants received scoreboards to record inning-by-inning scores of each Monday night game. Other point-of-sale materials available include poster and display counter cards. ☐



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Beverage Industry

MARKETING ☐ DISTRIBUTION ☐ TECHNOLOGY AN HBJ PUBLICATION

USBA elevates Shea to replace Kingaspresident

WASHINGTON, DC—Donald B. Shea, an executive with the United States Brewers Association since 1978, has been selected to replace retiring Henry B. King as president.

Shea has served as vp-director of USBA's Alcohol Programs Div. and has worked closely on the development and implementation of the association's alcohol awareness programs. He is a graduate of Colgate University and George Mason University School of Law and is a member of the Virginia Bar, the Federal Bar in the Fourth Circuit and the American Bar Association.

King, who has served as president of USBA since 1962, will be retained as a consultant and advisor to the association commencing Jan. 1, 1984. ☐

FTC approves Tropicana sale to Beatrice

WASHINGTON, DC—Beatrice Foods Co.'s 1978 acquisition of Tropicana Products Co. did not violate the Clayton Antitrust Act, the Federal Trade Commission (FTC) has decided.

For five years, Beatrice has

(Continued on page 37)

Entering the electronic age

Computers solve bottlers' nickel-and-dime problems

by Laura Martinez

PROBLEM: A bottling company has 22 distribution points and four production plants. Managing inventory levels and making sure essential supplies are on hand is a laborious task involving the time of virtually every level of management, plus clerks.
SOLUTION: Install computers with predetermined simplistic programs which will maintain inventory at sufficient levels and alert production to immediate and long term needs.

"That was the situation we faced when we undertook a job with one of the East Coast's largest multi-state operations," explains George Shiebler, an executive with Profit Management Development (PMD) Inc., a consulting firm based in Barrington, IL.

"Because the firm was also looking to acquire additional territories, the chief executives wanted to free up as much capital as possible. They felt—and they were right—that they had too much of their money tied up in excess inventories.

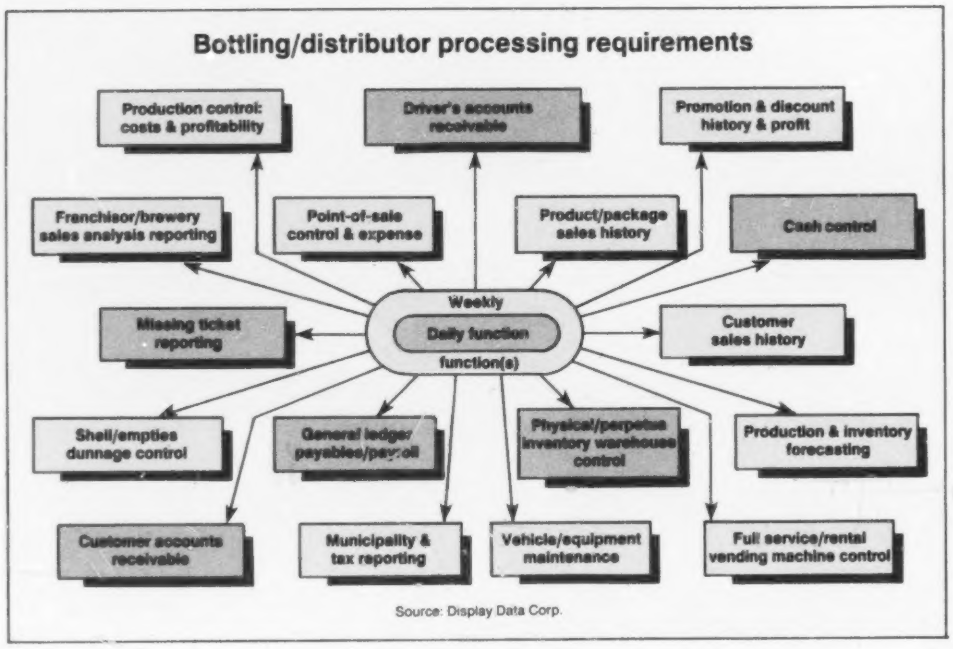
"Tying everything together so they (bottlers) can easily schedule production is important," he continues. "The computer accumulates all the information from the line items and tells production it better have so much of a certain product on hand, such as concentrate, caps, bottles, labels, etc., within the next few days." All of this information comes from every warehouse the bottler owns, he adds.

For example, Shiebler says, PMD helped the East Coast bottler set inventory levels on the computer at each distribution point—a system he called "maximum/minimum inventories." The company may have seven sales days of a certain brand in its inventory (the maximum) and doesn't want to have less than two sales days (the minimum) of the brand. Predetermined calculations are made manually and then programmed into the computer, he explains.

"Each warehouse counts inventory every night and someone phones information into the computer, telling it the warehouse needs so many

(Continued on page 20)

Bottling/distributor processing requirements


Production control: costs & profitability
Driver's accounts receivable
Promotion & discount history & profit
Franchisor/brewery sales analysis reporting
Point-of-sale control & expense
Product/package sales history
Cash control
Weekly
Daily function
function(s)
Missing ticket reporting
Customer sales history
Shell/empties dunnage control
General ledger payables/payroll
Physical/perpetual inventory warehouse control
Production & inventory forecasting
Customer accounts receivable
Municipality & tax reporting
Vehicle/equipment maintenance
Full service/rental vending machine control

Source: Display Data Corp.

Ethics of food safety explored at conference

WASHINGTON, DC—Most discussion of food safety revolves around scientific concepts such as risk assessment and "de minimis" levels of food additives. But what are the ethical considerations?

Next spring, the Consumers Union Foundation (CUF) will hold a conference here to explore the ethical problems in food safety decisions. The project is funded by a $120,000 grant from the National Science Foundation.

"The debate over food safety may prove to be the opening battle in a fundamental reassessment by our society of the need for and limits to health and safety regulation," says CUF.

Industry representatives will be invited to attend the May conference, and CUF will publish a final report based on the proceedings. The meeting will focus on three "particularly critical" issues, CUF explains:

- treatment of scientific uncertainty;
- majority rights versus minority needs, and
- acceptable risk.

These will be explored in the context of three current food safety policy controversies — saccharin, lead in canned food and diethylstilbestrol (DES) in animal feed. The background paper on saccharin was written by Michael Taylor, a former assistant to the FDA commissioner now in private law practice, and Richard Merrill, dean of

(Continued on page 6)

BI Report

• At presstime, Coca-Cola was preparing to sell a portion of its 36% holdings in New York Coca-Cola to three prominent blacks. The sale reportedly would take place after the NYC–C acquisition of the Philadelphia franchise is finalized. Mentioned as possible new owners of the stock are entertainer Bill Cosby, basketball star Julius Erving and businessman Bruce Llewellyn, chairman of New York-

(Continued on page 57)

BI Now Package

Reynolds Aluminum has introduced the quadruple-necked Q/Light can, which is the lightest in the industry. See page 12.

0170 0376981 41 91
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Features

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Development of new software has made the computer even more practical as well as more useful for soft drink plants and distributors.

10 **10 billion aseptic market by '90**
Combibloc's Luis M. Buehler updates aseptic packaging developments, forecasts dramatic growth.

12 **New Package: Quadruple-necked can**
Reynolds is introducing Q/Light claiming it's the lightest in the industry.

24 **Donegan: mapping Vendo's comeback**
Richard Donegan moved to the helm of Vendo two years ago and immediately set about revitalizing one of the industry's premier vending machine suppliers.

26 **First report from Massachusetts**
Business is down after six months but factors other than deposits have also affected sales.

38 **Security: Checking prevents theft**
Part II in Edward Dean's series of plant security focuses on proper check-in and check-out procedures.

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Sound Off

Soft drink industry landmarks of the '80's

"... If we could project ourselves out 10 years and then look backward at the 1980's, we would clearly see two more landmarks: the permanent shift to promotional discounting and the dominance of giant soft drink marketers in an ever-shrinking body of bottlers.

"These two landmarks have already begun to emerge and nothing is going to stop them. In 10 years they will have worked drastic change in this industry. Don't hope that discounting for cents-off advantage will go away, it is not going to go away. Don't hope that the big get no bigger. They are certain to get bigger. That is the inevitable result of the maturing of the franchise system and the power marketing of continuous discount pricing, unaffordable to all but a few and thus destructive to the many ..."

—Sid Mudd, president
Joyce Beverages

During his speech to the Florida Soft Drink Association Convention earlier this year.

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Cold Drinks
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ORANGE
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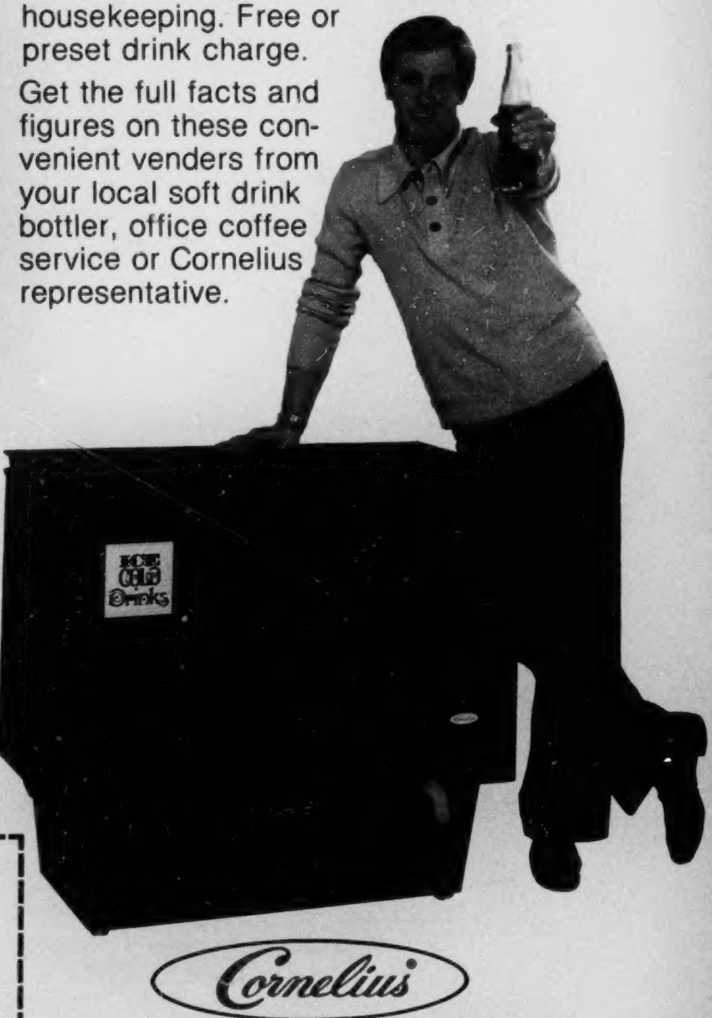

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Aseptics: 10 billion package market predicted to hit U.S. by 1990

By Luis M. Buehler, vice-president, marketing, sales and technical services, Combibloc Inc., Columbus, OH

Aseptic packaging in flexible paperboard cartons has only begun to gain a significant degree of acceptance in the U.S. during the past three years. However, in offshore markets, it has been established since the early '60's.

Why?

In a brief word—"energy."

The fundamental advantage of this type of packaging is energy cost savings, which includes packaging materials, plant operations, product storage, distribution and refrigeration. In each phase of operation, energy consumption is reduced or eliminated, resulting in tremendous cost savings over a given period of time.

In North America, this key advantage only became a critical consideration during the past eight years as energy cost exploded around the world. Today, we are enjoying a situation of oil oversupply. But when one considers the unstable and volatile political climates in many of the key oil-producing countries, especially the Middle East and Mexico, one realizes over-supply and reduced pricing cannot be sustained.

In a generic sense, aseptic packaging offers these benefits:

- It reduces material costs by 25-30%, compared to tinplate or glass.
- It is bio-degradeable and therefore an unlikely target for EPA involvement.
- It is a renewable resource of abundant supply.
- It can be easily incinerated and has an energy recovery factor in reclamation plants.

In Blocpak's market entry phase, noncarbonated beverages, such as juice and juice drinks, still wines and water, are key areas for expansion.

Since the FDA's regulation on use of H_2O_2 as a packaging sterilant early in 1981, and our subsequent compliance with the 0.1 ppm residue ruling, we have made significant increases in market share.

In 1982, some 25 million aseptically-packaged units containing approximately 15 million tons of liquid product were sold around the world. In comparison, approximately 50 billion packages containing 75 million tons of product were packaged non-aseptically.

In terms of numbers of containers, roughly 35% are aseptic. In terms of liquid products, 15% were packed aseptically in 1982. As our industry continues its annual global generic growth of 10%, this ratio will change in favor of aseptically-packaged products.

Juice drink opportunity

A strong growth trend in the beverage market has, of course, been exhibited in the U.S. For example, the juice market (up to 50% content) has enjoyed an enormous growth in consumption: from 1.45 billion gallons in 1977 to 2.25 billion gallons in 1981—almost double in *four* years. This is the market area from which acceptance and growth of aseptic packaging will initially come.

Aseptic packaging: 1990 (in billions of packages)

Juice and juice based products	—	6 billion
Custards, Soups, Puddings product of higher viscosities	—	2 billion
Still-Water, Wine, Mixes	—	1.5 billion
Dairy	—	.5 billion
		10.0 billion

Source: Combibloc Inc.

Copyright: Beverage Industry, August 1983

Hawaiian Punch was the first brand name product to be distributed nationally. Since its introduction in February 1983 in 250 ml. (8 oz.) sizes, both sales and market share have increased.

Indian Summer has just launched its brand of apple juice and apple cider in the 250 ml. size in 26 states. The company's decision to enter aseptic packaging was based on the marketing opportunities including long-term shelf life; expansion into new non-retail market areas such as food service, vending and airlines; ability to test new fruit juice drinks outside the apple category in the 10-30% juice content; and a chance to enter new geographical areas.

> *"... 10- and 12-oz. or 300- and 350-ml sizes will appear to compete directly with the canned soft drink market."*

Package preference

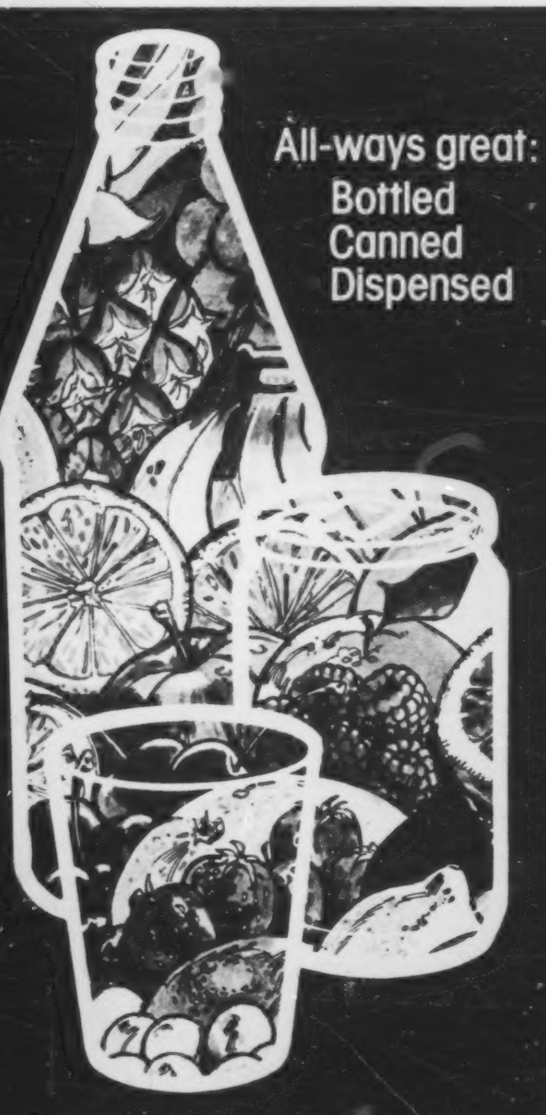
Once consumer acceptance is established with the low-priced, single-service juice drinks, there will be a gradual move into higher-quality juices.

Today, the bulk of purchases are in the single service 250 ml. size, either in singles or multi-packs of three, providing the ultimate consumer convenience. However, 10- and 12-oz. or 300- and 350-ml. sizes will appear to compete directly with the canned soft drink market. One-liter sizes will be an influence in high-quality juices.

Multi-packs of six and nine will enter the market shortly for sizes up to a liter. You

Advantages of the Combibloc system

- Customers do not have to perform any paper converting functions such as priming of the vertical seam.
- Seams are hermetic and do not require seam taping during the filling stage.
- Since the vertical seam is skivved and secured during manufacture of the carton sleeves, oxygen permeation cannot occur at this entry point.
- Rigid, well formed cartons result from the high quality raw materials and strict quality methods exercised in manufacture of the multi-layered substrate.
- The CF 5,000 and CF 10,000 fill .5-L and 1-L size packages at rates of 5,000 and 10,000 packages per hour respectively. The CF 6,000 fills any combinations of three sizes; 200-, 250-, 300-, 350-, 500-ml at a rate of 6,000 packages per hour.
- If line is down due to ancillary equipment failure, sterilization can be maintained in the unit for long periods of time.
- Head space in the package allows consumers to remix liquids containing pulp or particulates, as well as shakes and liquids prone to sedimentation.



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may also see a twin-pack for liter sizes in the near future.

Other products

The wine market also holds interesting potential. Consumption has increased steadily from 413 million gallons in 1977 to 495 million gallons in 1981. Projections are that this is a market poised for some exciting developments. It is extremely competitive and new concepts in packaging and distribution are being assessed already by industry leaders. Both single-service sizes or institutional use, 750 ml. and 1-liter bottle size equivalent for consumers could become important factors.

The water segment of the industry also offers promise. Consumption has risen from 350 million gallons in 1977 to 550 million gallons in 1981, worth an estimated $660 million.

As the quality of water becomes a more critical consumer issue, this market will grow as it has already in countries such as Spain. Today, bottled water is available basically in half-gallon and gallon sizes. Aseptic packaging will fill the requirement for smaller size packages. Water is the most delicate of all liquids and it is a tribute that it can be packaged using the aseptic technology while still maintaining its purity.

A key strategic, long-range objective for Combibloc is to develop markets where our aseptic packaging technology can provide solutions for products with higher viscosities and product particulates, ranging from condiments, puddings and custards, to soups and even fruit salads.

In England, "Birds" custard is available ready-to-serve in Combibloc packages. In Europe, puddings of all flavors, are readily available. In Canada and Australia, whipping cream and toppings are being marketed.

The dynamics of the $60 billion packaging market in the U.S. will yield tremendous business to new, competent, technology-oriented suppliers. Importantly, however, aseptic packaging is not a substitute for other types of packaging, but rather a complement applicable where cost-related benefits are weighed against other important criteria. Carbonated beverages cannot be contained in aseptic packages at this time, and I do not foresee this as a future development. There will always be a market for cans and bottles.

There is no question that the market potential in the U.S. justifies our decision to make the investments necessary to remain a supplier to our U.S. customer base.

If by 1990, the U.S. market has progressed as we expect, we can anticipate a volume of 10 to 12 billion packages with 400-500 filling lines installed. We are committed to expansion in the U.S. and foresee exciting times ahead. ☐

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Farmers
Farmers
HAWAIIAN PUNCH
HAWAIIAN PUNCH
HAWAIIAN PUNCH
HAWAIIAN PUNCH
HAWAIIAN PUNCH
FRUIT COCKTAIL
COCONUT JUICE
INDIAN SUMMER APPLE CIDER
INDIAN SUMMER APPLE JUICE

Some representative packages in the Combibloc package are shown above. Wine in the aseptic containers are already on the market in Europe. Look for it to appear shortly in the U.S

Luis Martin Buehler

About the author

Named vp-marketing, sales and service in March, Buehler has operational responsibilities for Blocpak Canada Inc. and is managing the transfer of the Canadian operation to the U.S. which markets the Combibloc system in North and South America. Buehler was previously general manager of PKL-International Div. As general manager for the PKL International Div., Buehler has been the initiator in introducing the Combibloc aseptic packaging system to North America in 1980.

Transferred from Europe in June, Buehler is now vp of Combibloc Inc. responsible for marketing, sales and technical services in North America.

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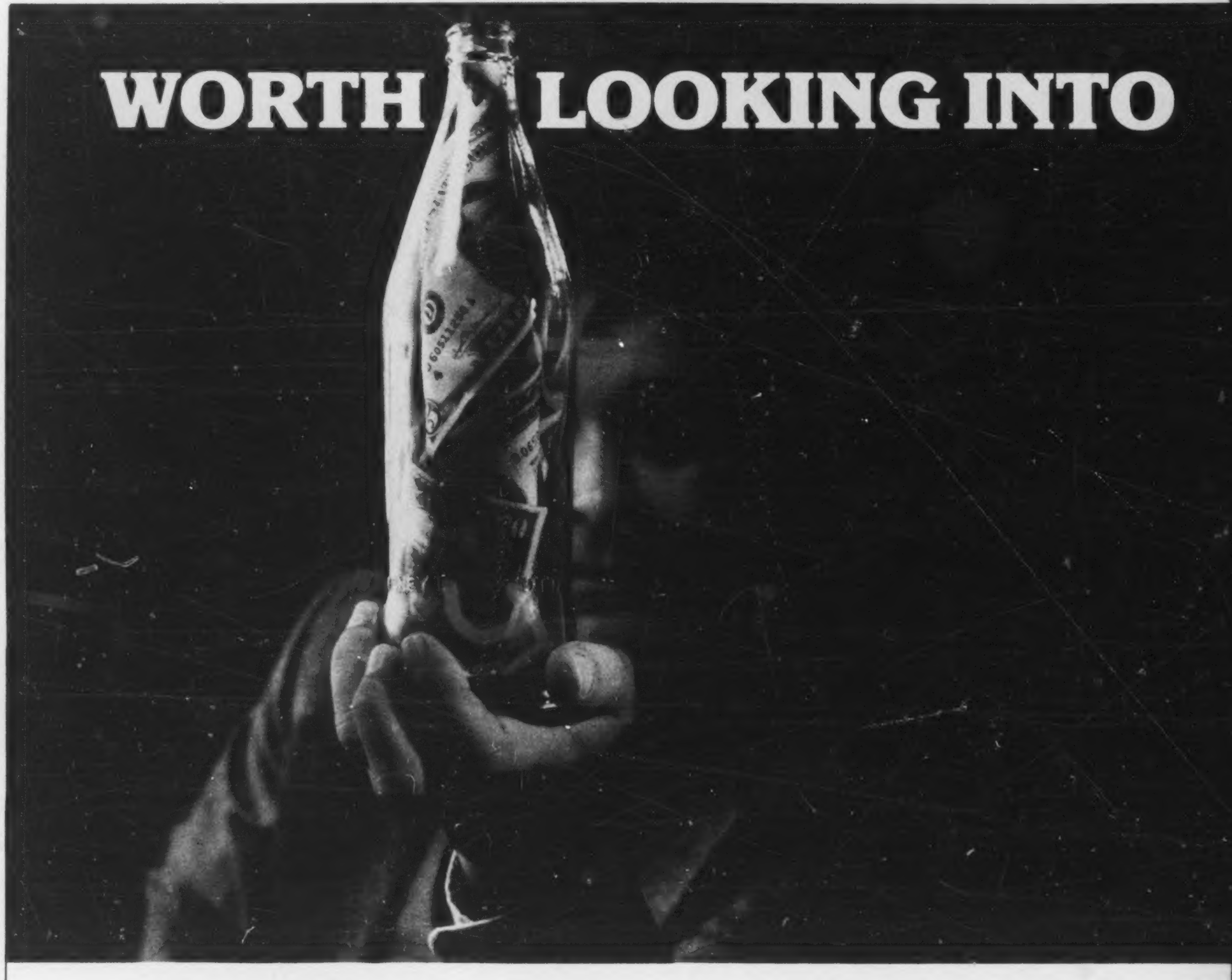

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Beverage Business Indicators

Selected Consumer Price Index (base: 1967 – 100)

	February 1983	March 1983	% Change	March 1982	Mar. 82 vs. Mar. 83 % Change
Cola	312.5	314.1	0.5	306.6	2.4
Other carbonated soft drinks	147.4	146.7	(0.5)	143.4	2.3
Noncarbonated drinks	140.6	141.1	0.4	138.9	1.6
Wine	234.7	239.1	1.9	235.3	1.6
Beer and ale	217.4	219.8	1.1	209.2	5.1

The Consumer Price Index (CPI) is a measure of the average changes in prices over time in a fixed "market basket" of goods and services. The index measures price changes from a designated reference date which equals 100 (usually 1967). An increase of 22 percent, for example, is shown as 122. This change can also be expressed in dollars as follows: The price of a base period "market basket" of goods and services in the CPI has risen from $10 in 1967 to $12.20.

Source: U.S. Dept. of Labor Bureau of Labor Statistics

Bottle Shipments (thousands of gross) (not seasonally adjusted)

	November 1982	December 1982	% Change	December 1981	Dec. 81 vs. Dec.82 % Change
Glass Bottle Production Total Bottles:	22,906	21,013	(8.3)	23,272	(9.7)
Beverage: Refillable	314	405	29.0	360	12.5
Nonrefillable	4,169	4,012	(3.8)	3,681	9.0
Beer: Refillable	41	39	(4.9)	132	(70.5)
Nonrefillable	7,562	6,708	(1[illegible]3)	8,065	(16.8)
Liquor	1,260	1,038	(17.6)	1,117	(7.1)
Wine	686	648	(5.6)	711	(3.9)
Plastic Bottle Production* Carbonated beverages	205,048	249,581	21.7	213,284	17.0

*thousands of units

Source: U.S. Department of Commerce Bureau of the Census

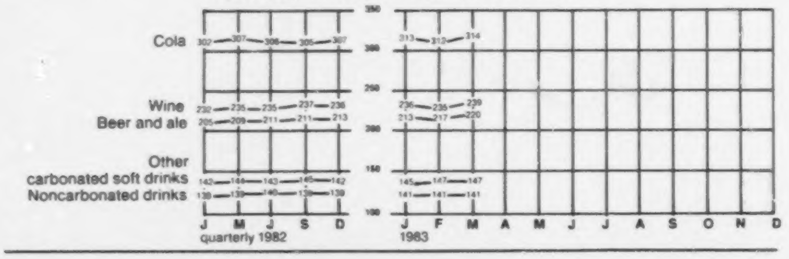
Imported Beverages (proof gals)

	January 1983	February 1983	% Change	February 1982	Feb. 82 vs. Feb. 83 % Change
Beer*	14,242,179	11,763,817	(17.4)	11,457,293	2.7
Whiskey	9,568,875	4,278,098	(55.4)	4,650,081	(8.0)
Brandy	633,657	402,994	(36.4)	334,326	20.5
Gin	356,065	242,108	(32.0)	264,884	(8.6)
Rum	103,626	40,234	(61.2)	37,034	8.6
Cordials & liqueurs	713,497	621,083	(13.0)	500,128	24.2
Others	974,742	570,083	(41.5)	536,073	6.3
Total	26,612,881	17,918,417	(32.7)	17,779,819	0.8
Sparkling wines	1,011,300	506,457	(49.9)	332,495	52.3
Still wines, table	11,471,264	4,207,467	(63.3)	6,006,026	(29.9)
Still wines, fortified	236,174	110,488	(53.2)	93,542	18.1
Vermouth	291,689	187,789	(35.6)	113,075	66.1

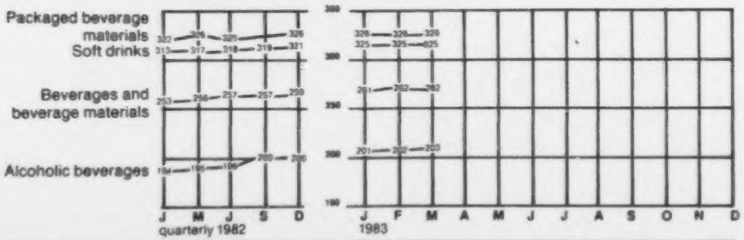
*Includes ale, stout, porter

Source: National Association of Beverage Importers, Inc.

1983 Consumer Price Indicators (1967 – 100)



1983 Producer Price Index (1967 – 100)



Closures for Beverages (thousands of gross)

	November 1982	December 1982	% Change	December 1981	Dec. 81 vs. Dec. 82 % Change
Metal (for spirits, wines)*	53,276	38,290	(28.1)	44,536	(14.0)
Plastic (for spirits, wines)*	120,591	104,464	(13.4)	78,619	32.9
Metal crowns (beer & soft drinks)	15,077	13,216	(12.3)	17,314	(23.7)
Soft drinks (convenience types)	235	175	(25.5)	1,576	(88.9)
Soft drinks (conventional types)	3,926	4,735	20.6	4,807	(1.5)
Beer (convenience types)	9,084	6,348	(30.1)	7,765	(18.2)
Beer (conventional types)	1,832	1,958	6.9	3,166	(38.2)
All metal closures other than crowns	5,591	5,791	3.6	4,033	43.6

*thousands of units

Source: U.S. Dept. of Commerce Bureau of the Census

Selected Producer Price Index (base: 1967 – 100)

	February 1983	March 1983	% Change	March 1982	Mar. 82 vs. Mar. 83 % Change
Soft drinks	325.6	325	(0.2)	317.5	2.4
Alcoholic beverages	202.5	203	0.2	195.1	4.0
Beverages and beverage materials	261.6	261.8	0.1	255.7	2.4
Packaged beverage materials	325.1	326	0.3	325.8	0.1

The Producer Price Index (PPI) is a measure of the average changes in prices received in primary markets of the United States by producers of commodities in all stages of processing. These data were formerly called the Wholesale Price Index. The name was changed to more accurately reflect the coverage of the data. PPI's are designed to be interpreted in the same manner as the CPI.

Source: U.S. Department of Labor Bureau of Labor Statistics

Sweeteners (cents per pound)

	March 1983	April 1983	% Change	April 1982	Apr. 82 vs. Apr. 83 % Change
42% Corn Syrup High Fructose Decatur, IL, tank cars, cwt.	11.25	11.25	0	NA	—
55% Corn Syrup High Fructose Decatur, IL, tank cars, cwt.	14.25	14.25	0	13.82	3.1
Sugar, liquid ind. no. 2 per cwt. solids, F.O.B. (N.E. refinery)	32.20	32.20	0	28.20	14.0

NA: Not Available

Source: The Journal of Commerce

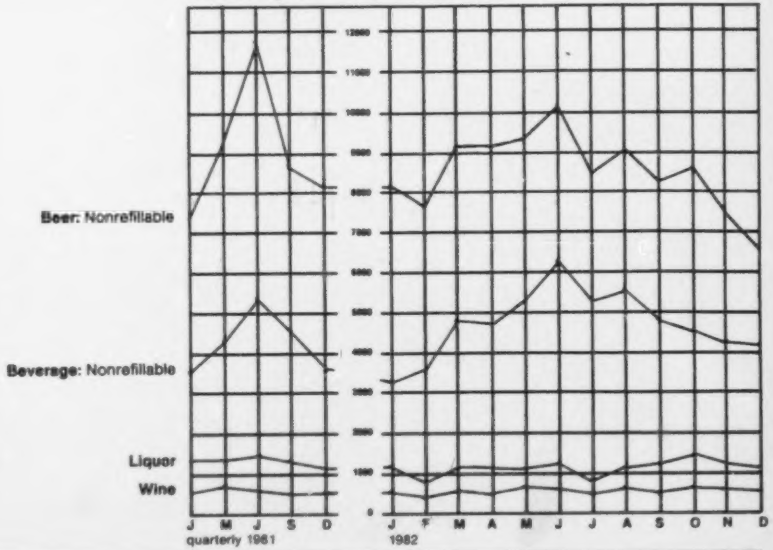
Alcoholic beverage removals (barrels of 31 gals)

	December 1982	January 1983	% Change	January 1982	Jan. 82 vs. Jan. 83 % Change
Beer	12,387,711	12,931,252	4.4	12,111,013	6.8
Wine*	33,572,136	26,610,246	(20.7)	30,124,183	(13.2)
Spirits*	28,244,076	25,675,279	(9.1)	24,915,953	3

*wine gals

Source: U.S. Department of the Treasury Bureau of Alcohol, Tobacco and Firearms

Bottle Shipments (thousands of gross)



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Special report: New trucks for '84, p. 48

SOFT DRINKS □ BEER □ BOTTLED WATER □ WINE □ POWDERS □ JUICES □ SPIRITS SEPTEMBER 1983

Beverage Industry

MARKETING □ DISTRIBUTION □ TECHNOLOGY

AN (HBJ) PUBLICATION

50TH ANNIVERSARY OF THE REPEAL OF PROHIBITION 1933-1983

NBWA ...and all that

SEPTEMBER 25-29, 1983 NEW ORLEANS, LOUISIANA

Over 100 exhibitors await NBWA convention goers

New Orleans—More than 100 suppliers of products and services to the malt beverage wholesaling industry will display exhibits at NBWA's 46th annual convention.

Visitors to the association's convention, Sept. 25-28 at the Rivergate Exhibition Center, will have the opportunity to inspect the exhibits and listen to top brewery officials while celebrating the 50th anniversary of the repeal of Prohibition.

A variety of products, including computer systems, recycling machinery, refrigeration and draft beer dispensing equipment and apparel will be shown at this year's event.

Also, presentations by William K. Howell, Miller Brewing Co., president and William F. Smith Jr., Pabst Brewing Co. president, are scheduled.

Other speakers include

(Continued on page 27)

Will aspartame drinks have the same impact in the U.S.?

Canadian bottlers see diets at 30% of market

Special Report—Although many issues have to be resolved before the full impact of aspartame is felt in the U.S., in Canada—where it is the only low-calorie sweetener approved—the market acceptance has been nothing less than phenomenal.

As a matter of fact, soft drink marketers there credit the market acceptance of aspartame, G.D. Searle & Co.'s NutraSweet, in single-handedly reviving the diet segment of the market and increasing over-all sales.

But the jury is still out on whether the high cost of aspartame will cause a major adjustment in the soft drink price structure there.

Historically the diet segment of the Canadian soft drink market ranged around 8% to 10% of the total market until 1977, when saccharin was banned. By 1979, the "diet" share of market had shrunk to 2%.

Canadian bottlers experimented with two approaches to so-called diet drinks. One was a completely sweetener-free product which didn't taste very good. The other was a 50%-reduced sweetener content product which wasn't dietary and certainly not sugar-free.

"Neither really filled the need for a diet drink," says Tibor Gregor, executive director, Canadian Soft Drink Association. "So when G.D. Searle introduced aspartame, it took off like a rocket."

In 1982, the first full year aspartame was available, the diet segment had not only regained historical levels, it had grown to 15% of the total market by year's end, while the total market itself had doubled.

Latest figures for April-May show food store sales of diet soft drinks at a new high of 21.4% of the total and still growing.

Roy Lockyer, president and chief executive officer, Canada Dry Ltd., says: "It's 21% already and it could go to 30% by the end of the year. It's heading that way."

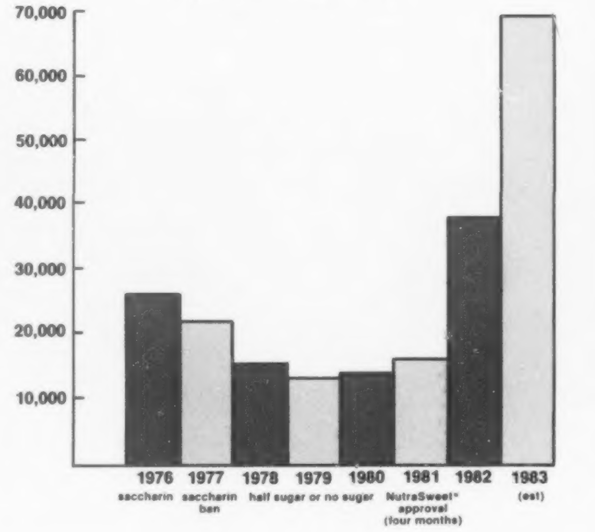
Others are only a bit more conservative.

Ren Dunn, senior vice president, Crush Canada Inc., says: "I think 30% may be

(Continued on page 56)

Effects of saccharin ban, NutraSweet approval on Canadian diet soft drink sales

Imperial Gallons (add 000)



BI Report

- **Although Coke was first to announce an aspartame contract, Diet Squirt was the first aspartame-sweetened product to appear in the market. SquirtPak introduced it in early August in its Holland, MI, the company's home market.**

- **The Coke contract included a discounted price and permission to use aspartame with saccharin. "We feel we have negotiated a contract which sets the pattern for the rest of the industry," a Coke spokesperson commented. He also said that new formulations would use a mixture that is less than 50% aspartame. The firm expects to begin receiving shipments shortly "... it**

(Continued on page 75)

19 firm hit $50 million mark

Study: A-B wholesalers dominate industry sales

by Holly Klokis

Special Report—Anheuser-Busch casts a long shadow, and by all indicators it will only get longer. The nation's largest brewing company, with sales gains outpacing the growth of the U.S. beer industry, is now showing its clout on the wholesaler level.

A recently released list of the top 19 beer wholesalers with sales of $50 million or more, shows A-B with the lion's share of those distributors—14, to be exact. A-B's strong network of breweries is now being complemented with a strong network of large, mostly independently-owned beer wholesalerships.

"Essentially, the list of the largest beer wholesalerships

(Continued on page 43)

BI Now Package

Schweppes "egg-shaped" bottle was industry's first contour and plays nostalgic role as the firm celebrates its 200th anniversary. See page 63.

Features

1 **NBWA convention goers**
Later this month several thousand distributors will meet in New Orleans to review over 300 exhibitors' new offerings, hear blue-ribbon program. Complete pre-show coverage continues on page 27.

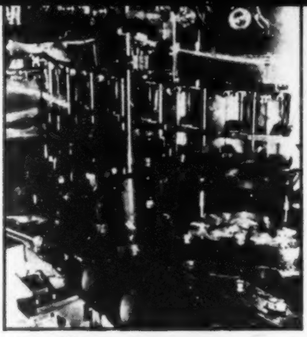
18 **New filler boosts morale**
New 52-valve Vickers filler in Columbia, MO, is not only pumping out product, it's also pumping up chests.

22 **Hi-C 'Drink Box' spurs expansion**
New Brik Pak lines in the Highstown, NJ, plant are helping Coke fill its growing Hi-C aseptic package requirements.

25 **Bud and Schlitz thrive, side-by-side**
Portland Distributing has found a way to make sure each brand get its fair share of marketing attention.

48 **New '84 truck chassis, engines**
Changes in the new truck models aren't cosmetic. Under the sheet metal, manufacturers have scored some impressive gains in fuel economies, efficiencies.

62 **London gala ends Schweppes 200th year**
Capping a year-long, world-wide celebration, some 300 North American bottlers will take part this month in a royal gala in London.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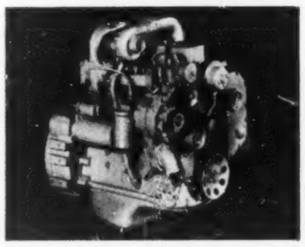
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Soundoff

But how about the Schweppes or Canada Dry drinker?

"In many states now, deposits are required on the bottles and cans the drinks come in. I have a friend who's a soft drink snob. She thinks Perrier ought to be exempt from the bottle laws because she doesn't believe anyone who'd have the class to drink Perrier would be so crude as to throw the bottles out of the car window."

—From Commentator Andy Rooney's syndicated column of Aug. 4, 1983

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Maximum Return on Investment calls for a match between production requirements and production facilities. Whatever your production levels, there's an Angelus can seamer with an optimal seaming speed. **There's the new 180S** for top seaming rates. At more than 2,000 cans per minute, it's the fastest can seaming machine in the world. If you anticipate these levels in the near future, even if you aren't there right now, the 180S is a good investment in "futures."
The Angelus 120L closes up to 1,600 cans per minute—ample for all but the largest volume production. While slightly slower in speed, it matches the high quality and exclusive features of the 180S.
The Angelus 61H does a superb seaming job at more modest speed levels—up to 600 cans per minute.
These three machines have a lot in common that make them real profit-makers. They can maintain their maximum production rates through long runs during peak periods. That's because they all have virtually automatic lubrication to minimize downtime (semi-automatic system on the seaming rolls). And they all are built to high Angelus quality standards—backed by more than 70 years experience. Of course there are many other Angelus machines, each one production matched to specific requirements. Write for information—stating your products, can sizes, and production rates. Angelus Sanitary Can Machine Co., 4900 Pacific Blvd., Los Angeles, CA 90058 • (213) 583-2171.

R·O·I
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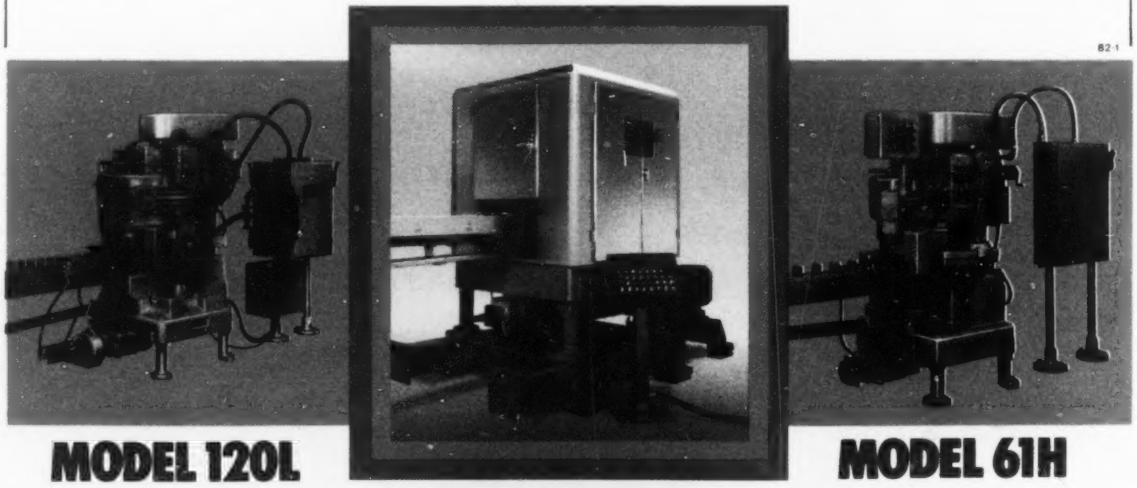
82-1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THE ULTIMATE SEAMING MACHINE
MODEL 61H

Circle No. 104 on Reader Service Card

Beverage Industry

Vendor shipments reflect recession

Beverage vendors down 3% in '82; '83 prospects not much better

Special Report—According to the latest figures from the U.S. Department of Commerce, 1982 manufacturers' shipments of vending machines for beverages totaled $213.6 million, a decrease of 3% from the 1981 figure of $221 million.

Most industry experts agree that while a decrease in shipments was not exactly what they were hoping for, it was expected. And though the industry is not declining as much as it has in recent years, most feel shipments will remain the same for awhile. One major vending manufacturer even felt total industry shipments will be slightly less this year than in 1982.

"At the midpoint of 1983, we've had indications that bottle/can vending shipments will be down slightly from 1982," says the manufacturer official, who asked not to be identified. "At best, the industry will stay the same instead of experiencing any major change. . . This business is an economic trend follower."

Probably the most optimistic about 1983 and most willing to forget past economic problems are the coin changer manufacturers. "They are able to be more optimistic because not only do they manufacture changers for the new machines, they do work for older machines as well," says one source. "Machine manufacturers tell a different story."

Jim Douglass, vice president of marketing with Coin Acceptors, Inc., feels 1983 will be "a good year, but not a record setter. I've talked with various bottlers and manufacturers, and universally, we feel the entire business is picking up."

(Continued on page 64)

Quantity and value of shipments of coin-operated beverage vending machines:
(Value in thousands of dollars)

Item	Number of companies	1982 Quantity	1982 Value	1981 Quantity	1981 Value
Coin-operated vending machines	45	465,374	318,962	492,385	338,313
Beverage vending machines	19	188,676	213,606	201,182	221,288
Hot beverage[1]:					
Nonoffice type	5	7,152	6,494	8,107	5,726
Office type	3				
Fresh brew, coffee, and combinations	4	6,186	13,860	9,359	17,464
Soft drink:					
Canned beverage (refrigerated) vending machines[2]	5	166,912	170,559	170,463	166,752
Bottle vending machines[2]	5				
Cup (postmix)	5	(D)	(D)	8,494	23,930
Package milk and juice (indoor)	3	1,387	2,982	3,266	5,954
Other vending machines for beverages	4	(D)	(D)	1,493	1,462

[1] These are primarily coffee vending machines though they may also vend hot chocolate and/or hot soup.

[2] Some vending machines designed and sold to handle canned beverages are also adaptable to bottled soft drinks through the use of a conversion kit.

(D) Data withheld to avoid disclosing figures for individual companies. ʳRevised by 5 percent or more from previously published figures.

Source: Dept. of Commerce, Bureau of the Census

Copyright: Beverage Industry, September 1983

Meyer develops update program geared to machinery users

Cudahy, WI—George J. Meyer Mfg. has developed a machinery update program, aimed at providing Meyer equipment users with added machinery service by adapting new technology to the established machines.

Engineers at George J. Meyer Mfg. and Meyer Akron Packaging Machinery have recently completed the development of a series of machinery updates.

Updates include high speed filling valves, positive up lift control, adjustable infeed star, friction-free drive and uncaser finger conversions.

Complete machinery conversions are available for Model M and MC casepackers to update these machines to the present Spartan/Cadet format. The program has also generated several new ideas to be pursued as field updates for Meyer equipment.

Both plants are building inventory of many of these updates. In addition, Meyer anticipates continued emphasis on and development of future modernizations.

- For more information on the **Meyer machinery update program,** circle no. 191 on the reader service card. ☐

Borden's shakes up drink with new aseptic package

Wellsboro, PA — Borden's, Inc., has begun production here of aseptically packaged milkshakes, replacing 8-oz. cans. It's believed to be the first aseptically packaged milkshake in the U.S.

Frosted Milkshakes, available in strawberry, chocolate and vanilla, aren't new; they've been on the market for 10 years, but always in a can, according to Borden senior publicist Eileen Denne.

Combibloc installed a CF6000 machine here to produce the 250ml packages, a

(Continued on page 21)

Frosted
Vanilla
Frosted
Chocolate
Frosted
Strawberry

Borden's Frosted milkshakes are sold individually in 250 ml packages.

Beer import eyes national distribution

Greenwich, CT—Kronenbourg, which claims to be Europe's top selling bottled beer, has expanded distribution to five more states, anticipating national distribution by 1984.

Wisconsin, Ohio, North and South Carolina and the Hawaiian Islands were added this summer. The beer is now available in 35 states.

Introduced in the United States in bottles in 1980, distribution began on the East and West Coasts and has moved into the Midwest. This summer Kronenbourg brought its draft beer into the Boston and New York markets.

To increase sales, Kronen-

(Continued on page 12)

Old Tyme intros two; repositions Ginger Beer

Fort Lee, NJ—In addition to launching two new flavors, Sangria Soda and Pina Colada, Old Tyme soft drinks have gone through major package and positioning changes, especially the Ginger Beer brand.

Bob Tuckman, president of Lou Scharf, Inc., U.S. marketers of Old Tyme, says Gin-

(Continued on page 12)

Old Tyme soft drinks, with seven of its nine flavors shown here, are packaged only in 12 oz. bottles.

Japanese beverage growth flat last 5 yrs.

by Sankichi Yamasaki

Tokyo, Japan—A report from the Japan Soft Drink Bottlers' Association reveals that packaged beverage consumption over the last five years (1978-1982) has shown almost flat growth in this country.

Only food drinks, a category characterized by its high nutritional value that includes fruit and vegetable juice, milk, soy milk and bottled water, showed a marked increase during this period. Alcoholic beverages showed a moderate increase, but soft drinks, including carbonated drinks, juice drinks, milk drinks and coffee drinks, decreased substantially.

The association blames a "difficult economy and unfavorable weather conditions" for the flat growth over this period.

In the food drink category, soy milk has been the biggest success story with skyrocketing increases ever since its introduction in 1978. While it's too early to tell how well this product will continue to grow in the future, it's improved taste, economical price, low cholesterol and attractive packaging has won consumers.

However, not all beverages within the food drink category were successes. Both fruit and vegetable juices showed decreases.

Packaged alcoholic beverages held their own during this five year period and showed moderate growth. Beer continues to be the most popular beverage in the country and is showing a steady volume increase.

Soft drinks off

In the soft drink category, all beverages showed decreases with the exception of canned coffee. This means consumers are refraining from drinking packaged, refreshment-oriented soft drinks and are turning to more economical and unpackaged tea or coffee instead.

There are several factors that are believed to be contributing to the continued decline of carbonated soft drinks and the continued in-

(Continued on page 8)

Categorical Japanese carbonated drink consumption in 1982

Category	Shipment: kl	Per-Capita: l	Share: %	82/81: %
Cola	891,000	7.51	33.5	98.9
Lemon-Lime	789,000	6.65	29.7	93.8
With Juice	115,000	0.97	4.3	112.7
Colored/Fruit Flavors	438,000	3.69	16.5	84.6
With Milk	98,000	0.83	3.7	140.0
Club Soda	44,000	0.37	1.7	110.0
Other	81,000	0.68	3.1	261.3
Sub-total	2,456,000	20.70	92.5	98.1
Specialty	200,000	1.69	7.5	121.2
Grand-total	**2,656,000**	**22.39**	**100.0**	**99.6**

Source: Yamasaki International

Copyright: Beverage Industry
September 1983

3 Australian beers debut in Midwest

Los Angeles, CA—Mission Imports here has just finalized a contract with Chicago Beverage Systems for the Midwest distribution of three Australian beers.

The three—KB Lager, Reschs Pilsener and Tooths Sheaf Stout—are brewed by Tooth of Sidney.

They are known for their natural ingredients and oversized packages. KB Lager and Resch Pilsener come in a 25 oz. can. Sheaf Stout comes in a 25.6 oz. bottle. KB is also available in a six-pack of 12-oz. cans.

"We feel the market is ripe for high quality Australian products, particularly with the recent popularity of Australian films in the U.S.," said Bill Hargis, manager of Chicago Beverage Systems, a division of International Brands.

International Brands is servicing distributors in Illinois, Iowa and Indiana. ☐

HOW TO MAKE MORE MONEY ON BEER.

Fold down bag along dotted line.
PORTA COOL
KEEPS DRINKS COLD UP TO 8 HOURS
INTERNATIONAL PAPER COMPANY

Also available with Pabst Blue Ribbon™ or Budweiser® logos.

Now it's possible to make an additional 20%-30% markup by selling your retail customers an inexpensive, handy cooler bag.

PortaCool® bags keep a six-pack or two of beer cool for up to eight hours.

PortaCool makes more sense for retailers to sell than foam coolers. Fifty of them fit in only 18 inches of floor space. And retailers can put the PortaCool display right next to the cash register.

Beer customers will like the practicality of the PortaCool bag, too. It costs much less than a foam cooler. It's not cumbersome. Yet each PortaCool can hold up to 10 lbs. of ice surrounding two six-packs of beer (or any other beverage). And PortaCool bags have built-in handles which make them easier to carry on a picnic or to the beach.

Now PortaCool has a retail marketing program to make it even easier for you to make money on beer. It works like this: We advertise and promote PortaCool to your retail customers. This generates sales and sales leads which will be directed to you. All of which presells PortaCool, making the selling job easier for you and your salespeople. And these easy sales are on an item with one of the highest markups of any item you sell.

For more information, just mail in the coupon today or call toll-free (800) 223-1268. In New York State: (212) 599-3194.

I'd like to make more money on beer. Please tell me how I can stock PortaCool® beer cooler bags.

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Title________________
Company________________
Address________________
City________ State________ Zip________

Bagpak PortaCool, Dept. 5
International Paper Company
77 West 45th Street, N.Y., N.Y. 10036

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Circle No. 132 on Reader Service Card

Shasta introduces cola 12-packs in two markets

HAYWARD, CA —. Shasta Beverages, Inc., has introduced a 12-can package for regular and diet cola in its Southern California and Las Vegas markets.

Mead Packaging is manufacturing the package, which has been on the market since mid-April.

Promo opportunities

The new 12-pack offers numerous promotional opportunities for the trade and is supported by extensive advertising and marketing programs, according to Alfred C. Carosi, Jr., director of marketing services for Shasta.

The pricing of the package is expected to generate high sales and revenue margins per unit for retailers while offering consumers significant savings over other major competitors' packages, Carosi added.

The package's graphics both billboard the Shasta brand name and feature a can chilled in ice to stress refreshment and taste enjoyment.

Carosi believes the unique packaging design will help merchandise the package on shelves and in end-aisle displays to enhance impulse purchases.

Marketing activities in support of the 12-pack introduction included television and newspaper advertising and on-pack couponing.

The heavy-up television effort featured a six-week spot campaign during both daytime and prime time programming, augmented by Shasta's strong going network campaign.

Couponing

Shasta scheduled a 600-line ad, featuring a 50-cent coupon, to run in two dozen newspapers on the best food day of the week prior to Memorial Day weekend, traditionally a peak selling period. In addition, a 50-cent on-pack coupon promotion was slated during the heavy volume summer months, July through September.

"The 12-pack is commanding a greater share of the soft drink market and offers tremendous profit potential for the trade," Carosi said. "Our new package, with its unique graphics and marketing support program, is designed to help the trade capitalize on this growth market."

A Shasta spokesperson added that it's too early to tell whether the package will be expanded to other areas or include other Shasta flavors.

- For more information on **Shasta Beverages,** circle no. 192 on the reader service card; for **Mead Packaging,** circle no. 193 on the reader service card. ☐

NEW 12 CAN PACK
DIET
Shasta
COLA
12 CAN PACK
NEW 12 CAN PACK
Shasta
COLA
12 CAN PACK

Shasta's new 12-pack is backed by television and newspaper advertising and on-pack promotions. Graphics stress refreshment and taste enjoyment.

Japanese beverage growth flat last five years

(Continued from page 7)

crease of beer here. They include:

- The high cost of raw materials and packaging, together with complicated distribution systems which are lowering the profits for bottlers;
- Consumers may be beginning to think that they are paying too much for these soft drinks;
- Keen competition amongst bottlers and a lack of coordination to promote soft drinks to the consumer;
- Many new product introductions that have only served to confuse the consumer.

There is, however, some encouraging news. The disposable income of the Japanese working family from 1978 to 1982 showed a substantial recovery in 1982 with an actual increase of 3%.

New products

In addition, there have been a plethora of new products and some seem to have potential. Here's a rundown on the newest:

- Coca-Cola Japan has introduced Aquarius, a non-carbonated isotonic drink packaged in 250 ml cans that's available in limited areas;
- Asahi Brewery has launched Dry Gingerale in 300 ml NR bottles and 250 ml cans, plus Mitsuya Cider Crystal, a carbonated lemon-lime / champagne - flavored drink in 1,000 ml PET bottles;
- Sapporo Fruit Five, a non-carbonated fruit drink with five kinds of fruit juices, fortified with vitamin C and packaged in 1-L PET bottles;
- The Food Division of Takeda Pharmaceutical is manufacturing C & Herb, a vitamin-fortified, herb-flavored carbonated drink in 300 ml NR bottles;
- Otsuka Chemical has rolled out Sinvino, a carbonated apple cider, packed in 170 ml NR bottles;
- Calpis Foods has introduced Cal-Cee, a fermented milk drink, fortified with calcium and vitamin C and packed in 1,000 ml paperboard cartons;
- Suntory Ltd. has begun production of Yamazaki No Meisui, a mineral water packed in 1,000 ml paperboard cartons.☐

Japanese carbonated drink consumption (1978-82)

Year	Shipment: kl	%	Per-Capita: Consumption l	Population: 000
1978	3,407,000	(-)	29.58	115,174
1979	3,362,000	(98.6)	28.95	116,133
1980	2,855,000	(84.9)	24.39	117,057
1981	2,668,000	(93.5)	22.63	117,886
1982	2,656,000	(99.5)	22.38	118,693
82/78	(22.1%)		(24.3%)	3%

Source: Yamasaki International

Copyright: Beverage Industry
September 1983

Per-capita consumption of packaged beverage in Japan (unit-liter)

Category	1978	1979	1980	1981	1982	82/78 %
(Food drink)						
Fruit juice	1.49	1.46	1.37	1.40	1.36	91
Vegetable juice	1.59	1.57	1.39	1.11	0.69	43
Milk	31.26	32.70	33.77	34.90	35.53	114
Soy milk	0.04	0.09	0.15	0.32	0.56	1400
Bottled water	0.52	0.59	0.67	0.72	0.73	140
Sub-total	34.90	36.41	37.35	38.45	38.87	111
(Soft drink)						
Carbonated drink	29.59	28.95	24.39	22.63	22.38	76
Fruit drink	14.32	15.14	14.03	13.95	14.10	98
Milk drink	16.47	16.49	15.16	14.20	14.57	88
Coffee drink	3.68	4.69	5.30	5.85	6.74	183
Sub-total	64.06	65.27	58.88	56.63	57.79	90
(Alcoholic drink)						
Beer	38.46	38.53	38.80	39.41	40.41	105
Sake wine	15.69	15.96	15.61	15.42	15.24	97
Spirit grape wine	0.39	0.44	0.44	0.47	0.54	138
Spirit	2.78	2.89	3.11	3.46	3.39	122
Sub-total	57.32	57.82	57.96	58.76	59.58	104
Grand total	156.28	159.50	154.19	153.84	156.24	100

Source: Yamasaki International

Copyright: Beverage Industry
September 1983

Still leading the pack in 6-packs and 8-packs.

Our Pearson D1080 Adjustable Carrier erector (available in 4, 6, 8 or 12-pack versions) has led the field since it was invented 25 years ago. And recent improvements are adding to an already impressive record.

- Sets up used or new carriers.
- Faster, up to 80/minute.
- Continuous operation.
- Seldom misses erecting, but ejects flat carrier. ("Self-purging")

Please call us now for complete information.

R.A. PEARSON COMPANY

PACKAGING EQUIPMENT
DESIGN AND MANUFACTURING

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Spokane, Washington 99204

509/838-6226

Circle No. 150
on Reader Service Card

Beverage Business Indicators

Selected Consumer Price Index (base: 1967 = 100)

	March 1983	April 1983	% Change	April 1982	April '82 vs. April '83 % Change
Cola	314.1	311.5	(.8)	304.9	2.2
Other carbonated soft drinks	146.7	145.6	(.7)	143.4	1.5
Noncarbonated drinks	141.1	139.6	(1.1)	138.7	.6
Wine	239.1	236.3	(1.2)	236.4	(.04)
Beer and ale	219.8	221.0	.5	210.5	5

The Consumer Price Index (CPI) is a measure of the average changes in prices over time in a fixed "market basket" of goods and services. The index measures price changes from a designated reference date which equals 100 (usually 1967). An increase of 22 percent, for example, is shown as 122. This change can also be expressed in dollars as follows: The price of a base period "market basket" of goods and services in the CPI has risen from $10 in 1967 to $12.20.

Source: U.S. Department of Labor Bureau of Labor Statistics

Bottle Shipments (thousands of gross) (not seasonally adjusted)

	December 1982	January 1983	% Change	January 1982	Jan. '82 vs. Jan. '83 % Change
Glass Bottle Production Total Bottles:	21,013	23,062	9.8	24,457	(5.7)
Beverage: Refillable	405	424	4.7	208	104
Nonrefillable	4,012	3,942	(1.7)	3,409	15.6
Beer: Refillable	39	115	195	213	(46)
Nonrefillable	6,708	7,301	8.8	8,305	(12.1)
Liquor	1,038	1,126	8.5	1,282	(12.2)
Wine	648	723	11.6	793	(8.8)
Plastic Bottle Production* Carbonated beverages	249,581	180,157	(27.8)	165,865	8.6

*thousands of units

Source: U.S. Department of Commerce Bureau of the Census

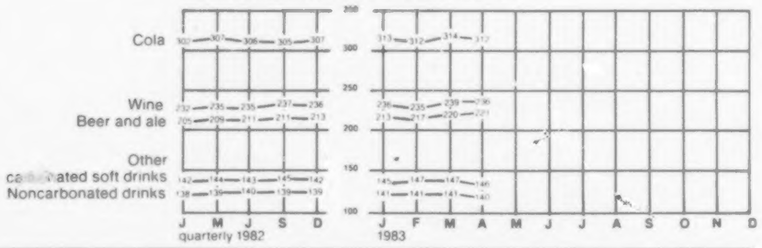
Imported Beverages (proof gals)

	February 1983	March 1983	% Change	March 1982	March '82 vs March '83 % Change
Beer*	11,763,817	16,268,193	38.3	12,846,448	26.6
Whiskey	4,278,098	4,951,886	15.7	4,064,558	21.8
Brandy	402,994	450,459	11.8	379,218	18.8
Gin	242,108	387,609	60.1	283,486	36.7
Rum	40,234	49,362	22.7	35,621	38.6
Cordials & liqueurs	621,083	714,851	15.1	608,652	17.4
Others	570,083	680,050	19.4	438,172	55.4
Total	17,918,417	23,503,310	31.2	18,656,155	26
Sparkling wines	506,457	618,138	22.1	452,820	37
Still wines, table	4,207,467	10,761,591	15.5	7,221,973	49
Still wines, fortified	110,488	210,777	90.8	155,545	36.0
Vermouth	187,789	205,326	9.3	238,779	(14)

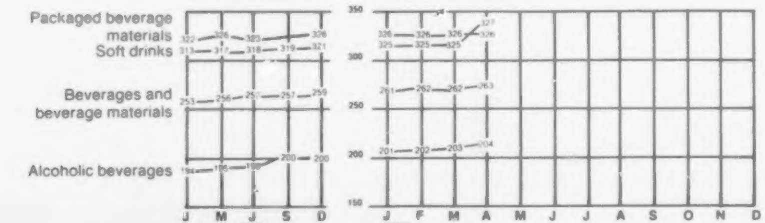
*Includes ale, stout, porter

Source: National Association of Beverage Importers, Inc.

1983 Consumer Price Index (1967 = 100)



1983 Producer Price Index (1967 = 100)



Closures for Beverages (thousands of gross)

	December 1982	January 1983	% Change	January 1982	Jan. '82 vs. Jan. '83 % Change
Metal (for spirits, wines)*	38,290	87,065	127	59,731	45.8
Plastic (for spirits, wines)*	104,464	120,795	15.6	84,158	43.5
Metal Crowns (beer & soft drinks)	13,216	14,278	8	18,474	(22.7)
Soft drinks (convenience and conventional types)	4,910	5,455	11.1	7,573	(28)
Beer (convenience and conventional types)	8,306	8,823	6.2	10,901	(19.1)
All other metal closures other than crowns	5,791	5,704	(1.5)	4,772	19.5

*thousands of units

Source: U.S. Department of Commerce Bureau of the Census

Selected Producer Price Index (base: 1967 = 100)

	March 1983	April 1983	% Change	April 1982	April '82 vs. April '83 % Change
Soft drinks	325	327.1	.6	318.2	2.8
Alcoholic beverages	203	204.4	.7	197.1	3.7
Beverages and beverage materials	261.8	263.0	.5	256.6	2.5
Packaged beverage materials	326	325.7	(.1)	323.6	.6

The Producer price Index (PPI) is a measure of the average changes in prices received in primary markets of the United States by producers of commodities in all stages of processing. These data were formerly called the Wholesale Price Index. The name was changed to more accurately reflect the coverage of the data. PPI's are designed to be interpreted in the same manner as the CPI.

Source: U.S. Department of Labor Bureau of Labor Statistics

Sweeteners (cents per pound)

	April 1983	May 1983	% Change	May 1982	May '82 vs. May '83 % Change
42% Corn Syrup High Fructose Decatur, IL, tank cars, cwt.	11.25	12.09	7.5	NA	–
55% Corn Syrup High Fructose Decatur, IL, tank cars, cwt.	14.25	14.25	–0–	13.82	3.1
Sugar, liquid ind. No. 2 per cwt. solids, F.O.B. (N.E. refinery)	32.20	32.20	–0–	27.45	17.3

NA: Not Available

Source: The Journal of Commerce

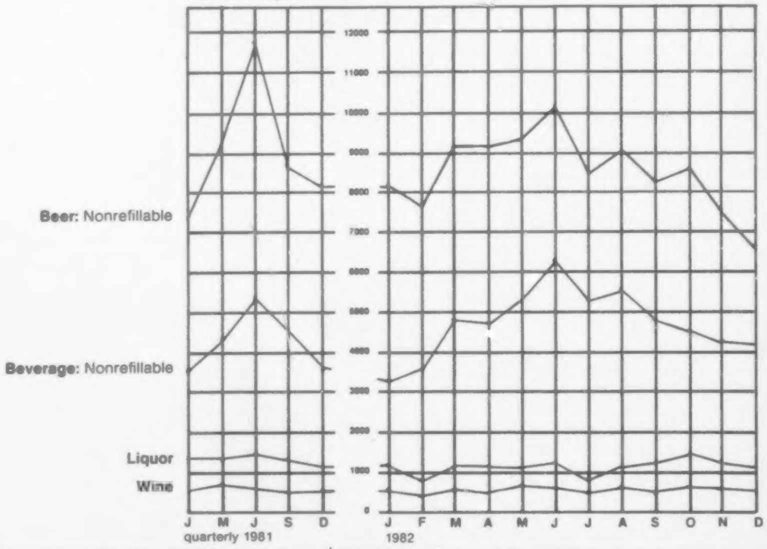
Alcoholic Beverage Removals (barrels of 31 gals)

	January 1983	February 1983	% Change	February 1982	Feb. '82 vs. Feb. '83 % Change
Beer	12,931,252	12,856,192	(.6)	13,099,232	(1.9)
Wine*	26,610,246	27,430,382	3.1	26,747,537	2.6
Spirits*	25,675,279	22,602,999	(12)	23,511,693	(3.9)

*wine gals

Source: U.S. Department of the Treasury Bureau of Alcohol, Tobacco and Firearms

Bottle Shipments (thousands of gross)



"Beefy" new Vickers filler boosts bottler morale

COLUMBIA, MO — Monahans, TX. is not one of those places to go without a good reason. It's a dusty little border town, reachable only by light plane, car or horse. And it takes the better part of a day to get there from here.

So it was a mighty good reason that prompted Jay Wiles and Troy Frost — the plant manager and maintenance manager, respectively, of Columbia Pepsi-Cola — to make the trip.

Their goal was to look at the first Vickers-Miller Hydro filler in America — which was pumping away at Monahans Coca Cola.

Columbia Pepsi was remodeling, and a new filler was part of the plan. Wiles and Frost dreamed of one that wouldn't be plagued by breakage, jams, fast-wearing center bearings, and endless changeover adjustments.

They found it at Coke Monahans. "Their people were as enthusiastic as salesmen," recalled Wiles. "The machine was built beefy. There was just . . . more of it. It didn't wear. It didn't jam. It didn't need changeover adjustments."

Convinced by this case study and the numbers Vickers supplied, Wiles recommended to owners J. W. and Lois Stafford that they buy a 52-valve Vickers stainless steel filler. It was installed at Columbia in January, 1983. Apart from a design oversight Vickers has now corrected, the filler has run since January "without loss of confidence."

> ***"All other fillers I know of, once the bottle leaves the crowner, the filler says, 'that's it, I'm done with it.' But not this one."***

Wiles likes its massiveness. "It uses a slewing ring as the center bearing," he continued. "A slewing ring is what construction crane cabs ride on. Its specs exceed the filler requirements."

The ring rides just inboard of the lift cylinders, eliminating the stress a center-mounted bearing would take. It holds the bowl without tilting, vibrating, shaking or rattling, and is easy to lubricate, according to Wiles. "I had to replace the center bearings in the old filler every 18 months. I don't expect ever to have to replace these," he said. (A spokesman for Vickers reports that the company has used the slewing ring design for seven years, and none has yet been replaced.)

The plant manager pointed out that the Vickers is more expensive than American fillers. But he believes the differences are worth it.

"On this filler, the bottle is controlled from the moment it enters the filler. It doesn't stand free at any point; it doesn't leave the star wheel until it is completely under and in contact with the valve," Wiles explained.

"All other fillers I know of, once the bottle leaves the crowner, the filler says, 'that's it, I'm done with it.' But not this one. This one takes the bottle from the infeed side through the sequences, and after crowning, it has its own conveyor that carries it away and makes a smooth, trouble-free transfer to the warmer or case packer."

The change parts are heavier — three-or-more times as thick as competitors' parts. And they are more expensive — up to $12,000 per set. "But they won't wear out," Wiles said.

(The machine does contain an eight-head Alcoa capper in monoblock, and Alcoa supplies the change parts for this unit.)

The Vickers is equipped with an emergency brake that will "stop it cold," Wiles said, snapping his fingers.

"The torque is so tremendous, you have to bolt this machine to the floor. But even if you're running 500 bottles per minute, you can almost stop a bottle at a pre-chosen point. And there's no bottle damage. It eliminates poor bottle handling, breakage, bottle jamming, and machinery jamming or damage from broken glass."

The machine itself runs on 220 volts. Its functions are non-hydraulic.

Instead, it uses a pye tasc eddy current drive — simply an electromagnetic clutch — to provide variable acceleration. A squirrel cage motor runs at constant speed, and the pye tasc unit varies the intensity of the magnetic field between the clutch plate coming from the unit, and the one driving the filler.

Any number of pye tasc conveyor drive units can be controlled and synchronized with the filler.

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Analyst: .5-L PET closer; 1.2 billion forecast for '84

CLEVELAND, OH—Anticipating that suppliers are close to solving shelf-life and pricing problems with the .5-L PET bottle, Arthur M. Stupay, analyst with Prescott Ball & Turben, Inc., is projecting that the soft drink industry will utilize 1.2 billion of these containers next year.

"Production should increase to about 2 billion units in 1985," says Stupay. "There is a potential for 5 billion .5-L units by 1985 of which 2 billion will be plastic and 3 billion will be glass."

He predicts .5-L PET bottles will grow at a compound rate of 50% each year over a three year period beginning in 1983.

Stupay's prediction for a dramatic increase in the production of .5-L PET bottles is contained in his recent industry report "The Plastic Beverage Bottle: 1983 Update."

The report reveals that 2-L PET volume rose from virtually zero in 1977 to 500-700 million units in 1978, 1.6 billion units in 1979 and reached 2.5 billion bottles in 1982.

The .5-L PET beverage bottle, introduced in 1981, was expected to be as successful as the 2-L bottle. That did not occur, Stupay says, because machines did not produce at rated speeds and the cost of the .5-L bottle was 15% to 20% higher than glass in 1982.

According to Stupay, the first problem was solved by re-engineering the machines.

Secondly, he says increased machine productivity and lighter bottles, achieved from better distribution of resins over the surface of the container, should narrow the cost between plastic and glass by at least 5%.

Other factors that will contribute to increased production include new manufacturing methods which have resulted in bottles with longer shelf life and the resurgent economy. Also, wholesalers, distributors and retailers in mandatory deposit states seem to favor plastic over glass, he says.

Demand for 1- and 2-L PET bottles will continue to grow as well, but "basically all the growth through 1985 is in the .5-L size," Stupay says.

The report shows that between 2.6 billion and 2.7 billion 2-L PET bottles will be produced this year, up 200 million from last year, and predicts production to increase through 1985 from 5%-8% each year.

Production of the 1-L PET bottle will hit 400 million this year, up 100 million from the previous year, and remain the same in 1984.

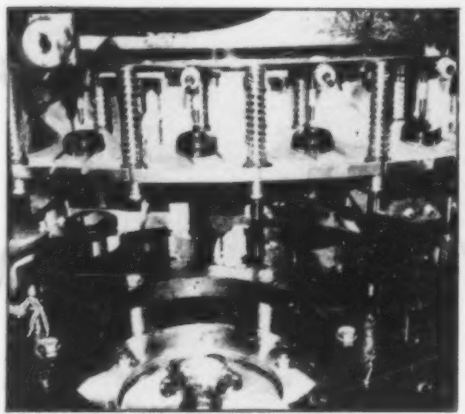
Plastics, according to Stupay, will also increase its penetration in the liquor, wine and beer markets as unit can be adjusted, from slow to fast up to half speed, and likewise up to full speed. The half speed rate is also adjustable, depending on the package being run and the rate of fill. The half-speed is a feature Wiles particularly likes.

"If you have a shortage of bottles at the infeed, instead of stopping everything and waiting for them to build up, you can just hit the half-speed button and run slowly until the bottles catch up," he said.

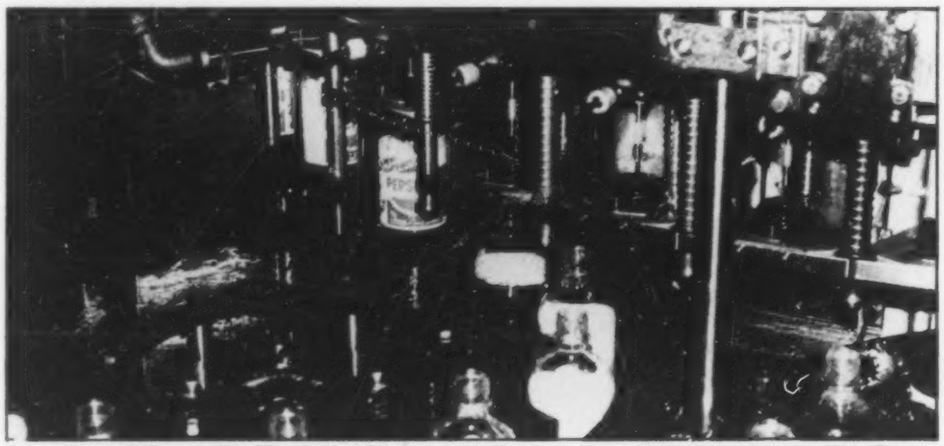
"Machinery has a mind of its own. The trick is to keep it running. Once you shut it down, you just invite operating problems when you start up again."

Wiles has already found his first cost saving. "We don't use refrigeration at all filling 2-L bottles," he said. "There's no foam even at 100 bpm. In winter that saved us $150 per eight-hour day. We're using less refrigeration on the smaller containers, too, and using the warmer less. We have a 100 hours (96 ton) refrigeration unit, and a 1 million BTU warmer. Anytime we don't use them, we save money."

But the best benefits don't break down into numbers. "This machine is just satisfying to work with," Wiles said.


Vickers change parts are two-to-three times the thickness of those made by U.S. manufacturers.

Columbia, MO Pepsi plant manager J. Wiles asserts the "beefy" Vickers filler has turned out to be a morale booster for his crews.


According to Wiles, on this filler the bottles are controlled from the moment they enter the filler. They do not leave the star wheel until they are completely under and in.

"It gives us a feeling of a job well done," Wiles said.

The inside of the bowl on the Vickers is open. It eliminates any chance of built-up bottles or broken glass by the end of the day. "The bottles just fall out onto the floor," Wiles said. "It makes cleanup easy. Before, the line workers got frustrated because they couldn't reach the glass. But now I walk through in the morning, and there's no glass in the filler. No bottles lodged here and there. It's clean."

The real morale builder is easy changeovers. "It might take five more minutes to make a changeover on this machine," Wiles allowed, "but once those parts are bolted on, they are in spec. No starts, stops, or low speed running while we adjust the change parts. On the other filler, my people got so discouraged because they'd make the changeover, push the start button, and never be sure what would happen first.

"But they have confidence in this Vickers. They make the changeover, push the button, and it goes right the first time."

- For more information on **Vickers-Miller Hydro**, circle no. 242 on reader service card. ☐

costs declines.

He estimates demand in the liquor market will reach 150 million units once a plastic bottle is accepted. Additionally, Stupay reports that distillers are evaluating the use of PET bottles for miniatures and airline packaging.

Wine in plastics is also coming along with test marketing being prepared for 3- and 4-L bottles.

The same size bottles for beer may reach the test market stage late this year, Stupay adds.

He says plastics will continue to make inroads in the marketing of beverages and will be the dominate material for beverages by the mid-'90s.

The study points out that plastic bottles accounted for 20.4% of packaged soft drink sales in 1982, up from 19% the previous year.

Stupay estimates this figure will jump to 22.1% in 1983 and 23.3% by 1984. The .5-L bottle will account for the majority of that increase, he believes.

On the other hand, one-way glass will account for 14.6% of packaged soft drink sales in 1984, down from 15.6% in 1982 and returnable glass will make up 21.7% of packaged sales in 1984, a decline from 22.1% in 1982.

"The more significant inroads of plastic should occur in 1985 and beyond, and we project a 1% to 3% annual volume decline in glass container volume at that time," Stupay says. ☐

Soft drink demand and packaging

(Units: Bil. Equiv. 12 Oz.)	1981	1982	1983E	1984P
Total Soft Drink Demand	95.0	97.5	100.4	104.4
% Packaged	77.6	77.3	77.1	77.0
Packaged Soft Drinks	73.8	75.4	77.4	80.4
Cans	25.4	26.2	27.0	28.2
% Cans	34.4	34.7	34.9	35.1
One-Way Glass	11.8	11.7	11.7	11.7
% Glass	16.0	15.6	15.1	14.6
Plastics	14.0	15.4	17.1	18.8
% Plastics	19.0	20.4	22.1	23.3
Returnable Glass	22.6	22.1	21.6	21.7
% Returnable	30.6	29.3	27.9	27.0

Plastic bottle output

Billions of Units	1981	1982	1983E	1984P
2-L Units	2.3	2.5	2.7	2.9
1-L Units	0.3	0.3	0.4	0.4
.5-L Units	0.1	0.3	0.7	1.2

Source: A.M. Stupay, Prescott, Ball & Turben

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Study: A-B wholesalers dominate industry sales

(Continued from page 1)

in the country is dominated by Anheuser-Busch," says Michael Bellas, president of Beverage Marketing Corp., publisher of the 1982 U.S. Beer Wholesaler Sales survey. "The same concentration you're having on the national brewing level, the manufacturing level, you're now seeing start to appear rapidly at the wholesaler level."

"Rapidly almost appears to be an understatement: Last year, Bellas reported only seven wholesalers had sales breaking $50 million, four of those A-B. The figures this year represent a 171.4% overall increase in top wholesalers, a 250% increase in top A-B wholesalers. "The reason you have so many new A-B wholesalers on the list this year," says Bellas, "is because of the introduction of Bud Light and the continuing strong growth of the Budweiser brand last year. . .Beer wholesalers are getting bigger if they have the right brands."

Cumulatively, the top 19 companies have wholesale sales of over $1 billion and an estimated barrelage volume

Top beer wholesalers with $50m sales or more

Anheuser-Busch, Inc. (company-owned)

Anheuser-Busch, Inc.
1400 Marlborough St.
Riverside, CA 92507

Anheuser-Busch, Inc.
15420 Colbalt St.
Sylmar, CA 91342

Anheuser-Busch, Inc.
5180 Fox St.
Denver, CO 80216

Anheuser-Busch, Inc.
200 U.S. Hwy. 1
Newark, NJ 07101

Anheuser-Busch, Inc. (independently-owned)

Atlanta Beverage
5000 Fulton Industry Blvd.
Atlanta, GA 30318

Ben E. Keith Co.
2404 Canton St.
Dallas, TX 75226

Foothill Beverage Co.
2800 So. Reservoir St.
Pomona, CA 91766

Grey Eagle Distributors
2340 Millpark Dr.
Maryland Heights, MO
63043

Harbor Distributing Corp.
51 Alpha Plaza
Hicksville, NY 11801

National Brands Inc.
11077 Northwest 36 Ave.
Miami, FL 33168
Port Distributing
45-09 Vernon Blvd.
Long Island City, NY
11101

Southwest Distributing Co.
1301 White St.
Houston, TX 77007

Straub Distributing Co.
410 West Grove Ave.
Orange, CA 92665

Union Beer Distributing
1213 Grand St.
Brooklyn, NY 11211

Adolph Coors Co.

Willow Distributors Inc.
2601 Cockrell Ave.
Dallas, TX 75215

G. Heilman Brewing Co.

C & K Distributors Inc.
555 North Tripp Ave.
Chicago, IL 60624

Miller Brewing Co.

Burke Distributing Corp.
89 Teed Dr.
Randolph, MA 02368

Clement & Muller, Inc.
2800 Grant Ave.
Philadelphia, PA 19114

Houston Distributing Co.
2121 Edwards St.
Houston, TX 77007

Sales, census by state

State	No. of companies	Wholesale dollar volume (000)	Estimated barrelage (000)
Alabama	66	$228,500	2,196
Alaska	13	43,250	415
Arizona	66	290,500	2,791
Arkansas	67	137,750	1,325
California	281	2,051,500	19,691
Colorado	60	281,750	2,702
Connecticut	22	203,000	1,949
Delaware	8	55,750	535
Washington, DC	7	58,250	559
Florida	101	997,450	9,575
Georgia	73	384,250	3,688
Hawaii	19	104,750	1,005
Idaho	43	78,750	757
Illinois	238	954,000	9,164
Indiana	152	413,500	3,973
Iowa	105	238,250	2,290
Kansas	69	173,000	1,662
Kentucky	85	244,500	2,350
Louisiana	78	369,250	3,547
Maine	21	88,000	845
Maryland	66	355,000	3,410
Massachusetts	55	501,750	4,815
Michigan	187	721,000	6,928
Minnesota	139	332,250	3,193
Mississippi	64	171,000	1,643
Missouri	117	405,250	3,891
Montana	50	85,000	818
Nebraska	53	140,000	1,344
Nevada	22	104,500	1,003
New Hampshire	20	107,500	1,032
New Jersey	57	548,250	5,260
New Mexico	31	128,500	1,233
New York	180	1,344,750	12,905
North Carolina	98	383,250	3,682
North Dakota	34	59,750	574
Ohio	161	888,750	8,536
Oklahoma	66	220,500	2,119
Oregon	104	208,000	2,001
Pennsylvania	400	1,034,000	9,939
Rhode Island	12	78,500	753
South Carolina	62	230,750	2,218
South Dakota	30	51,750	497
Tennessee	61	310,250	2,980
Texas	344	1,598,250	15,341
Utah	20	81,750	783
Vermont	14	45,500	437
Virginia	99	408,250	3,921
Washington	125	334,000	3,210
West Virginia	75	127,000	1,222
Wisconsin	183	543,500	5,223
Wyoming	35	50,500	485
Total	**4,538**	**$18,994,950**	**182,472**

Source: Beverage Marketing Corp.

Copyright: Beverage Marketing Corp., Beverage Industry, September, 1983

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1982 National beer market demographics

Sales range	Number of Wholesalers	Percent of Total	Estimated Wholesale Sales Volume (000)	Percent of Total	Estimated barrelage volume (000)	Percent of Total
$50 Million or more	19	.4	$ 1,045,000	5.5	9,975	5.5
$25 to $50 Million	41	.9	1,537,500	8.0	14,760	8.1
$10 to $25 Million	293	6.5	5,127,500	26.9	49,224	27.0
$5 to $10 Million	486	10.7	3,645,000	19.1	34,992	19.2
$3 to $5 Million	747	16.5	2,988,000	15.7	28,759	15.8
$2 to $3 Million	1,020	22.5	2,550,000	13.4	24,480	13.4
$1 to $2 Million	1,044	23.0	1,566,000	8.2	15,138	8.3
$500,000 to $1 Million	628	13.8	471,000	2.4	4,521	2.5
Less than $500,000	259	5.7	64,750	.3	621	.4
Subtotal—	**4,537**		**$18,994,750**		**182,470**	
Unclassified	1	.0	200	.0	2	.0
Total	**4,538**	**100.0**	**$18,994,950**	**100.0**	**182,472**	**100.0**

Note: Percentage totals may vary due to rounding

Source: Beverage Marketing Corp.

Copyright: Beverage Marketing Corp., Beverage Industry, September 1983

of almost 10 million. Together, these companies represent a mere .42% of the total 4,5[illegible]8 U.S. wholesalers. Each[illegible]ys Bellas, distributes at lea[illegible]6 million cases and owns approximately 75 trucks.

1,586 control $11b

Adding together all wholesalers with sales of $10 million or more, one finds that 40.59% of the total sales volume is controlled by 7.78% of all the companies. Include with that all companies with sales of $3 million or more, and a clearer picture of the concentration Bellas talks about begins to emerge: 1,586 wholesalers, 34.95% of total, control over $11 billion in sales—roughly 75% of the total U.S. beer market.

While the total number of wholesaler establishments declined by 101 from 1981 to 1982, those establishments with sales of $3 million or more increased by 77 in the same period, the result of either mergers of smaller wholesalers or increased sales that pushed a wholesaler from a lower category to the over-$3 million mark.

Conversely, the number of establishments with under $3 million in sales declined by 188 in 1982 from 1981. Bellas cites two reasons for the severe decline: "If they have a good brand, they're getting bigger. If not, they're dropping out completely. The biggest drop off can be seen in the under-$2 million categories."

Up until the 1982 survey the overall decline in beer wholesalerships had been increasing, reaching an approximate 1.5% rate. This year, for the first time, it's cleared 2%. Bellas attributes this to mergers at the brewery level: "A good example is the Stroh/Schlitz merger," he says. "Stroh has put a big emphasis on combining its (wholesaler) locations since it bought Schlitz. It's asking its smaller locations to get together. . .to create a wholesalership with enough clout to compete with the Miller and Budweiser houses."

Import wholesalers

Although this 2% decline may seem high, Bellas feels it would have been even greater if so many wine and spirits wholesalerships hadn't picked up imported beers. The figures in the 1982 beer survey also include these wholesalers but reflect only that portion of sales that apply to beer. "We probably would have lost another 50 beer wholesalers if it hadn't been for imports. Most of these (wine and spirits) wholesalers, though, are going into the lower sales range categories ($500,000 to $1 million)."

Given the present rate of decline which is expected to accelerate, Bellas predicts that by the end of the decade,

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Regional beer market demographics

	No. of companies		% of total		Wholesale dollar volume (add 000)		% of total		Estimated barrelage (add 000)		% of total	
	1982	1981	1982	1981	1982	1981	1982	1981	1982	1981	1982	1981
Northeast	862	926	19.0%	20.0%	$ 4,420,250	$ 4,235,250	23.3%	23.1%	42,446	42,276	23.3%	23.1%
East Central	1,081	1,092	23.8	23.5	3,892,250	3,710,250	20.5	20.3	37,404	37,076	20.5	20.3
West Central	547	552	12.0	11.9	1,400,250	1,368,750	7.4	7.5	13,460	13,687	7.4	7.5
South	769	750	16.9	16.2	3,620,700	3,450,000	19.0	18.9	34,784	34,501	19.0	18.9
Southwest	507	519	11.2	11.2	2,237,750	2,129,250	11.7	11.7	21,487	21,267	11.8	11.7
West	230	,228	5.0	4.9	682,250	669,750	3.6	3.7	6,555	6,697	3.6	3.7
Pacific	542	570	11.9	12.3	2,741,500	2,682,000	14.4	14.7	26,326	26,769	14.4	14.7
Total	**4,538**	**4,637**	**100.0**	**100.0**	**$18,994,950**	**$18,245,250**	**100.0**	**100.0**	**182,472**	**182,273**	**100.0**	**100.0**

Note: Percentage totals may vary due to roundings.

Source: Beverage Marketing Corp.

Copyright: Beverage Marketing Corp.,
Beverage Industry
September 1983

there will be 3,600-3,700 beer wholesalers in the U.S. By the end of the century, says Bellas, there may be as few as 3,000. "They will be run by professionals. The era of the small family-run wholesalership is rapidly ending."

In addition to containing national market demographic figures by sales and barrelage size, the 1982 U.S. Beer Wholesaler Survey also contains similar figures by region and state. A detailed appendix to the report provides company names, addresses and phone numbers by state and sales volume.

Although the breakdown by region has been slightly altered from last year to conform with other Beverage Marketing Corp. studies, state-by-state data available from the 1981 study allow comparisons by region to be compiled.

The region showing the most activity in 1982, gaining the largest number of companies, was the South, which showed an increase of 19 firms between 1981-82. Bellas attributes this to geographic expansion by regional brewers into the prosperous Sunbelt markets. Overall, he notes, there has been a decline in the Northern markets.

The only other region to show an increase in the number of firms located within its boundaries is the West, which went from having 228 wholesalers in 1981 to 230 in 1982.

The big loser this year is the Northeast region, experiencing the merging or closing of 84 companies. The Pacific region followed with a decline of 28 firms; the Southwest region was down 12; the East Central, 11; and finally, the West Central showed a decrease of five.

Despite the decline in the East Central region, it still leads the nation with 1,081 wholesalers. The Northeast maintains its position as the leader in wholesale dollar volume and barrelage with $4,420,250,000 in sales and 42,446,000 barrels.

The increase in wholesale dollar volume for the industry, $18,245,250,000 in 1981 to $18,994,950,000 in 1982, represents a growth of 4%. The increase in barrelage from 182,273,000 to 182,472,000 is a mere jump of .1%, indicating the dollar increase is primarily the result of price increases and to a lesser extent the growth of higher priced imports.

For more information, or to purchase the 1982 U.S. Beer Wholesaler Sales Survey, contact Beverage Marketing Corp., 866 Second Ave., New York, NY 10017, or phone, 212/688-7640. ☐

Regional breakdown

Northeast: Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont.

East Central: Illinois, Indiana, Kentucky, Michigan, Ohio, West Virginia, Wisconsin.

West Central: Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota.

South: Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Virginia.

West: Colorado, Idaho, Montana, Nevada, Utah, Wyoming.

Southwest: Arizona, New Mexico, Oklahoma, Texas.

Pacific: Alaska, California, Hawaii, Oregon, Washington.

U.S. retailers can't keep new Japanese beer in PET on shelf

(Continued from page 30)

Unlike most draft beer, Suntory's pour-ta-keg does not require refrigeration. Suntory avoids pasteurization, which may diminish flavor, using a process called microfiltration, which halts the fermentation process of the beer. So no refrigeration is necessary.

Pour-ta-keg holds nearly as much as a conventional six-pack of 12-oz. cans and has a suggested retail price of $4.99, plus deposit where applicable.

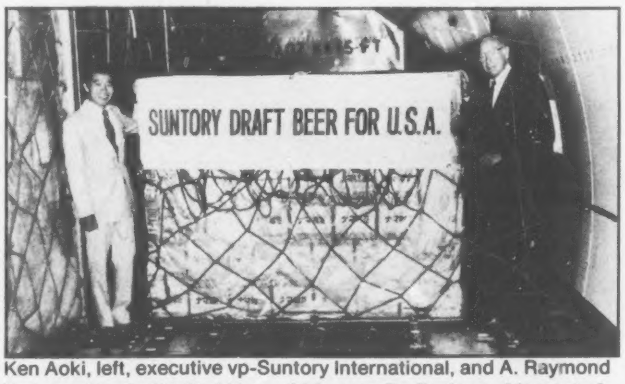
"Most people will try our beer because of our unusual container," said Yuri, "but they will make repeat purchases because of the fresh mild taste, which they can not get in any other packaged import."

In Massachusetts, Suntory Draft is being distributed by United Liquors Ltd. In New York, Mutual Trading Co., Inc., is the distributor. Rand Public Relations is handling the public relations, marketing and promotion and Chiat/Day is responsible for the advertising campaign.

To date, however, there has been practically no advertising campaign. Said a spokesman from Rand, "We'd be creating a demand without enough of a supply."

Suntory Draft is the fastest growing beer in Japan, the company reports, with an 8% market share.

● For more information on **Suntory Ltd.**, circle no. 234 on the reader service card. ☐


SUNTORY DRAFT BEER FOR U.S.A.

Ken Aoki, left, executive vp-Suntory International, and A. Raymond Tye, president of United Liquor Ltd., proudly display a shipment of Suntory Draft Beer.

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Analysis of gross profit and sales statistics by product—1982, 1981, 1980

	Composition of sales at retail			Average sales per machine		
	1982	1981	1980	1982	1981	1980
Cigarettes	9.4%	11.4%	10.9%	$2,786	$2,800	$2,674
Candy, nuts, gum	7.1	7.9	7.3	3,104	2,975	2,713
Cold cup beverages	6.7	8.3	7.5	4,342	4,605	4,465
Hot cup beverages	8.6	10.6	10.2	3,788	4,093	4,034
Ice cream	.3	.3	.3	1,715	1,456	1,604
Milk	2.2	2.8	2.8	3,201	3,404	3,474
Sandwiches, salads, entrees	4.3	5.0	4.9	3,968	4,212	4,178
Pastry and snacks	6.8	8.0	7.0	3,441	3,417	3,228
Hot canned soups & food	.6	.9	1.1	1,457	1,693	1,849
Bottled and canned drinks	6.0	6.2	5.4	5,551	5,566	5,350
Misc. vending machine products	3.4	3.8	3.0	—	—	—
Total or averages for above	**55.4%**	**65.2%**	**60.4%**	**$3,607**	**$3,688**	**$3,502**
Sales other than through machines	44.6	34.8	39.6			
Total sales	**100.0%**	**100.0%**	**100.0%**			

Source: NAMA

Copyright: Beverage Industry
September, 1983

Profit analysis for 1982

(based on reported sales volume categories)

	Less Than $750,000	$750,000 to $1,999,999	$2,000,000 to $9,999,999	$10,000,000 or more
Sales at retail	100.0%	100.0%	100.0%	100.0%
Cost of sales	49.9	47.5	49.1	43.1
Total operating expenses	47.7	50.9	49.3	55.1
Operating Profit	**2.4**	**1.6**	**1.6**	**1.8**
Less interest expense	2.0	1.1	1.4	.3
Other income or charges (net)	1.7	1.7	1.0	1.6
Profit before income taxes	**2.1%**	**2.2%**	**1.2%**	**3.1%**

Source: NAMA

Copyright: Beverage Industry,
September, 1983

'82 vendor shipments decline 3% in recession

(Continued from page 4)

According to the Commerce Dept. report released in June, canned beverage (refrigerated) vendors shipped in 1982 totaled 166,912, an approximate 3,550 drop from 1981's shipments of 170,463. The 1982 can vendor total also includes bottle machines as well since the majority of vendors shipped were convertible, says Walter Reed, director of public relations with the National Automatic Merchandising Association (NAMA).

Figures for cup (postmix) machines were not made available in the Commerce report; package milk and juice (indoor) figures were down by 1,879 units in 1982 with a 1,387 total shipment; in the hot beverage segment, freeze-dried or liquid concentrate machines were down approximately 950 units from 1981 while fresh brew, coffee and combinations were down significantly—6,186 units in 1982 compared to 1981's 8,359 total, according to the Commerce report.

Coinco's Douglass feels, however, that only the can vendor market will rise this year and perhaps won't look as bleak as in previous years.

"Cans will probably go up to about 170,000 or 175,000-plus units," he estimates.

Another coin changer company experienced a good year, according to its marketing director. "In a marketplace where vending machine shipments are down, Mars Money Systems showed an increase over the previous year," says Art Karreff, marketing director. "We were pleased with our market share gains."

Subsequently, no major trends have been set, and most industry sources have said vending shipments will probably be stagnant for the next few years—no major growths or losses. As one major manufacturer put it, "Vending shipments will probably just follow along with the rest of the economy."

- For more information on **Coin Acceptors,** circle no. 240 on reader service card; for **Mars Money Systems,** circle no. 241. ☐

New HFCS facility adds 600 million lbs. capacity

(Continued from page 53)

will provide steam used in the milling process and most of the electricity to power the corn plant.

Major factors in Cargill's decision to locate its corn milling plant in Eddyville "were the ability to use the power plant for generating both steam and electricity, good access to midwestern and western product markets via rail and truck, and ample local corn and coal supplies," says Micek.

Micek says about 250 workers will be employed in the construction of the plant and that 80 to 100 new employees will be required to operate it. Support for the plant, such as rail and truck service to transport corn and coal inbound and products outbound to midwestern and western markets, is expected to provide additional jobs, he adds.

Cargill currently has corn wet milling plants in Cedar Rapids, IA, Dayton, OH and Memphis, TN, but only the Dayton and Memphis plants produce HFCS in addition to other sweeteners and starches. The new Eddyville facility with its high fructose capability will complement the Dayton and Memphis plants and help Cargill serve markets more effectively in the midwest and west of the Mississippi, Micek says.

Another reason Cargill decided to build another plant was because of what he terms "a growing demand for high fructose as an alternative sweetener replacing sugar in a variety of foods and beverages, especially soft drinks."

He cites as recent examples of the industry's confidence in HFCS Coca-Cola's approval of 75% replacement levels in its fountain syrups and PepsiCo's approval of 50% levels in all Pepsi beverages. ☐

Miller sponsors sweepstakes

MILWAUKEE—Miller Brewing Co., here, is sponsoring sports-related sweepstakes for its Miller High Life and Lite beer brands.

A $10 million sweepstakes, largest in Miller's history, ran May 2 through June 17 and featured a $100,000 grand prize; five, $10,000 first prizes; and 25, $1,000 second prizes. In addition, the grand and first prize winners won an expense paid trip for two to the United States Football League championship game July 17.

A team of Lite All-Stars will visit a hometown in the U.S. and play softball with the winner of a Lite softball sweepstakes which runs from June 1 to September 30. ☐

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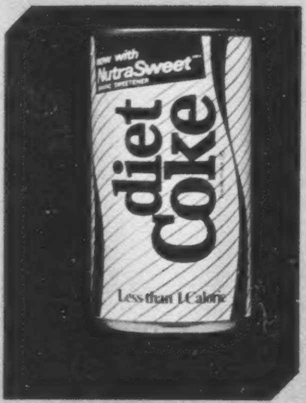
The aspartame rollout begins

by Gary A. Hemphill



Special Report—Since the FDA's approval of G. D. Searle & Co.'s NutraSweet for use in diet soft drinks late this summer, manufacturers have been scrambling to get to the shelf first and get an edge over their competitors.

Already Royal Crown, Squirt, Pepsi-Cola and Coca-Cola are in the market with aspartame-sweetened diet drinks; others aren't far off. For instance, Dad's Root Beer Co. has announced its intentions to use it, but is still reformulating its brand. "It's a few months away," said a spokesman. Sweet 'n Low Diet Soda announced it's begun negotiations with Searle to purchase the sweetener. And an official at Shasta also hinted at a pending announcement. "We've never been left at the starting gate when it's come to new developments in the industry," he said.

At presstime, both Dr Pepper and Seven-Up had announced their intentions to use aspartame.

Squirt was apparently first with the reformulation of Diet Squirt, using aspartame as its sole sweetening agent beginning Aug. 10.

"We were the first soft drink franchisor prepared to sell a soft drink sweetened with 100% aspartame to consumers in the U.S.A.," said SquirtCo U.S.A. president Mike Fogarty.

There was more fanfare behind the introductions from Coke and Royal Crown. Royal Crown teamed its announcement

(Continued on page 12)

SOFT DRINKS ☐ BEER ☐ BOTTLED WATER ☐ WINE ☐ POWDERS ☐ JUICES ☐ SPIRITS

OCTOBER 1983

Beverage Industry

MARKETING ☐ DISTRIBUTION ☐ TECHNOLOGY

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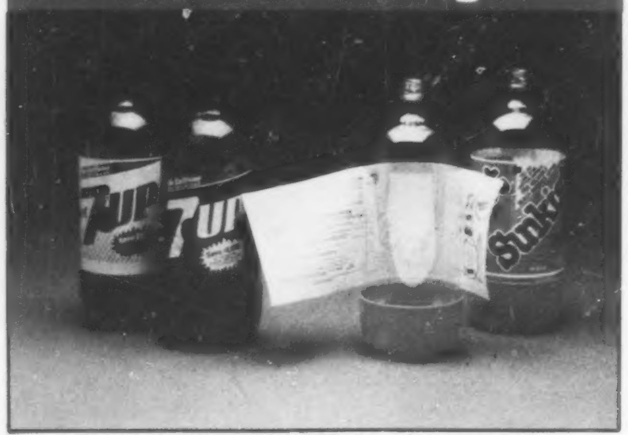
BI Report

• Coca-Cola USA has signed an agreement with Petainer, S.A., a Swiss joint venture company established by Sweden's PLM A.B. and Metal Box of Great Britain to develop and test new concepts of plastic soft drink packaging. Although press reports said the new packages would be cans, officials told *BI* that other types of packaging also

(Continued on page 57)

BI Now Package



Owens-Illinois' new label for 2-L PET allows for on-package promotions. See page 49.

Beer, soft drink segmentation fuels demand for larger bodies

by Carl Smiley

Special Report—Beverage body manufacturers generally agree that size has become the most dominant factor in selecting new vehicles although all don't agree on the reasons.

While 12 bay straight truck bodies remain an important part of production for most manufacturers, many feel that they face growing competition from route tractor/semi-trailer combinations. And the verdict hasn't come in on what size semi-trailer will become the industry standard.

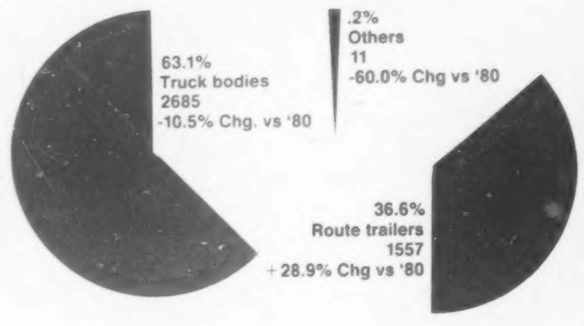
Route trailers currently account for slightly more than a third of all beverage carriers (36.6%) but their use has been increasing steadily. In 1980, for example, they constituted 28.4% of the total market.

Among beer distributors the proliferation of brands and a tendency to multi-label distribution requires a greater number of bays simply to make a range of product available to the route salesman. And in some areas preselling and high volume distribution has become practical.

A number of factors are contributing to the trend among bottlers. Preselling to major supermarkets and other large outlets has become standard industry practice. In fact, one major beverage body manufacturer admits that high volume, back door deliveries of presold beverage to supermarkets is beginning to erode beverage trailer sales. That trend was confirmed by hydraulic lift gate manufacturers who say that mounting gates on conventional dry freight delivery

(Continued on page 41)

1982 beverage body usage*



*New units purchased in '82

Source: Truck body builder estimates

Copyright: Beverage Industry October 1983

New aseptic developments highlight '83 DFISA expo

Chicago — The latest in aseptic processing and packaging techniques will be unveiled here Oct. 22-26, when the Dairy and Food Industry Supply Association opens Expo '83 at McCormick Place.

More than 350 exhibitors from the U.S. and abroad will take up more than 224,000 sq. ft. of exhibit space. In addition to aseptic processing and packaging other new products will include ingredients, general commodities and services, refrigeration, chemicals, transportation, beverages and assorted novelties.

Among aseptics, Brik Pak, Inc., Dallas, with 8,800-sq.-ft., will display three aseptic packaging units at the Expo. These new machines, according to the company, feature a programmable control unit which simplifies machine op-

(Continued on page 34)

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Features

1 **Aspartame rollout begins**
Manufacturers of diet soft drinks have been racing to be first to the retail shelf with aspartame-sweetened drinks.

1 **Route trucks facing growing competition from trailers**
While it appears that size has become the overall biggest factor in selecting beverage bodies, there is growing competition from route/tractor/semi-trailer combinations.

4 **Royal Crown opens up new sodium-free segment**
RC introduced a new product and advertising campaign, while opening up a new soft drink segment.

14 **Pepsi bottlers build co-op**
Eight Oregon Pepsi bottlers have built a money-saving plant in the village of Mount Angel, which handles all of the bottlers' canning of Pepsi products.

20 **USBA's new direction**
BI chats with former United States Brewers Assoc. president Henry B. King and new president Donald B. Shea about issues facing the industry.

25 **5-Gal. bottle washer designed for small-volume bottlers**
Industrial Washing Systems, which has just installed its first 5-Gal. bottle washer in the Western U.S., reports it's designed to fill the needs of the smaller bottler.

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Soundoff

Coke-less tribute draws Woodruff complaint

The Atlanta Arts Alliance recently honored its number one patron, Robert W. Woodruff, by erecting a bronze statue in his honor in front of the Woodruff Arts Center.

The 93-year-old philanthropist who has given the alliance some $28 million over 20 years was told in advance about the statue by Roberto Goizueta, Coca-Cola chairman.

"When I told him about the sculpture," Goizueta said, "He asked me, 'Am I drinking a Coke??' When I told him 'No,' he said, 'Too bad.' "

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Beverage Business Indicators

Selected Consumer Price Index (base: 1967 = 100)

	April 1983	May 1983	% Change	May 1982	May '82 vs. May '83 % Change
Cola	311.5	311.5	0	306.1	1.8
Other carbonated soft drinks	145.6	147.3	1.2	144.3	2.1
Noncarbonated drinks	139.6	140.1	.4	138.9	1
Wine	236.3	239.1	1.2	236.9	1
Beer and ale	221.5	222.7	.5	210.3	5.9

The Consumer Price Index (CPI) is a measure of the average changes in prices over time in a fixed "market basket" of goods and services. The index measures price changes from a designated reference date which equals 100 (usually 1967). An increase of 22 percent, for example, is shown as 122. This change can also be expressed in dollars as follows: The price of a base period "market basket" of goods and services in the CPI has risen from $10 in 1967 to $12.20.

Source: U.S. Department of Labor Bureau of Labor Statistics

Bottle Shipments (thousands of gross) (not seasonally adjusted)

	January 1983	February 1983	% Change	February 1982	Feb. '82 vs. Feb. '83 % Change
Glass Bottle Production Total Bottles:	23,082	21,043	(8.8)	22,714	(7.4)
Beverage: Refillable	424	287	(32.3)	269	6.7
Nonrefillable	3,942	3,069	(22.1)	3,758	(18.3)
Beer: Refillable	116	332	189	270	23
Nonrefillable	7,301	7,083	(3)	7,757	(8.7)
Liquor	1,126	962	(14.6)	916	5
Wine	723	625	(13.6)	596	4.9
Plastic Bottle Production* Carbonated beverages	180,157	136,846	(24)	157,031	(12.9)

*thousands of units
Source: U.S. Department of Commerce Bureau of the Census

Imported Beverages (proof gals)

	March 1983	April 1983	% Change	April 1982	April '82 vs. April '83 % Change
Beer*	16,268,193	15,204,560	(6.5)	13,086,224	16.2
Whiskey	4,951,886	4,429,908	(10.5)	5,914,454	(25.1)
Brandy	450,469	542,707	20.5	389,692	39.3
Gin	387,609	427,268	10.2	359,224	18.9
Rum	49,362	111,127	125	71,000	56.5
Cordials & liqueurs	714,861	517,223	(27.6)	683,136	24.3
Others	680,950	524,424	(23)	548,803	(4.4)
Total	23,503,310	51,757,207	120	21,052,533	14.6
Sparkling wines	618,138	770,184	24.6	524,089	47
Still wines, table	10,761,591	7,910,930	(26.5)	7,515,613	5.3
Still wines, fortified	210,777	198,873	(5.6)	173,870	14.4
Vermouth	205,328	246,425	16.9	249,767	(1.3)

*Includes ale, stout, porter
Source: National Association of Beverage Importers, Inc.

Closures for Beverages (thousands of gross)

	January 1983	February 1983	% Change	February 1982	Feb. '82 vs. Feb. '83 % Change
Metal (for spirits, wines)*	87,065	84,301	(3.2)	56,556	49.1
Plastic (for spirits, wines)*	120,796	123,936	2.6	132,743	(6.6)
Metal Crowns (beer & soft drinks)	14,278	14,566	2	19,913	(26.9)
Soft drinks (convenience and conventional types)	5,465	5,568	2.1	8,656	(35.7)
Beer (convenience and conventional types)	8,823	8,996	2	11,257	(20.1)
All other metal closures other than crowns	5,704	6,627	16.2	5,996	10.5

*thousands of units

Source: U.S. Department of Commerce Bureau of the Census

Selected Producer Price Index (base: 1967 = 100)

	April 1983	May 1983	% Change	May 1982	May '82 vs. May '83 % Change
Soft drinks	327.1	327.3	.06	318.2	2.9
Alcoholic beverages	204.4	205.2	.4	197.9	3.7
Beverages and beverage materials	263.0	263.3	.1	256.5	2.7
Packaged beverage materials	325.7	324.5	(.37)	323.3	.37

The Producer price Index (PPI) is a measure of the average changes in prices received in primary markets of the United States by producers of commodities in all stages of processing. These data were formerly called the Wholesale Price Index. The name was changed to more accurately reflect the coverage of the data. PPI's are designed to be interpreted in the same manner as the CPI.

Source: U.S. Department of Labor Bureau of Labor Statistics

Sweeteners (cents per pound)

	May 1983	June 1983	% Change	June 1982	June '82 vs. June '83 % Change
42% Corn Syrup High Fructose Decatur, IL, tank cars, cwt.	12.09	12.09	–0–	NA	–
55% Corn Syrup High Fructose Decatur, IL, tank cars, cwt.	14.25	14.25	–0–	13.82	3.1
Sugar, liquid ind. No. 2 per cwt. solids, F.O.B. (N.E. refinery)	32.20	32.20	–0–	27.83	15.7

NA: Not Available
Source: The Journal of Commerce

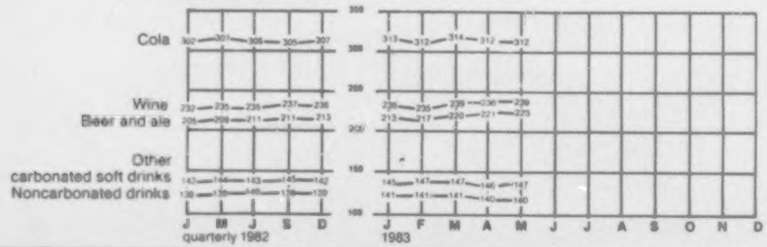
Alcoholic Beverage Removals (barrels of 31 gals)

	February 1983	March 1983	% Change	March 1982	March '82 vs. March '83 % Change
Beer	12,856,192	15,354,597	19.4	15,919,551	(3.5)
Wine*	27,430,382	35,337,365	28.8	37,092,978	(4.7)
Spirits*	22,602,999	30,742,546	36	30,833,687	(.3)

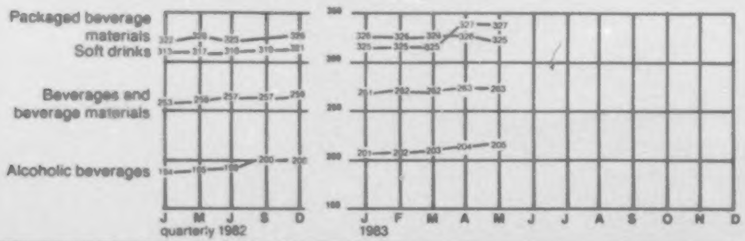
*wine gals

Source: U.S. Department of the Treasury Bureau of Alcohol, Tobacco and Firearms

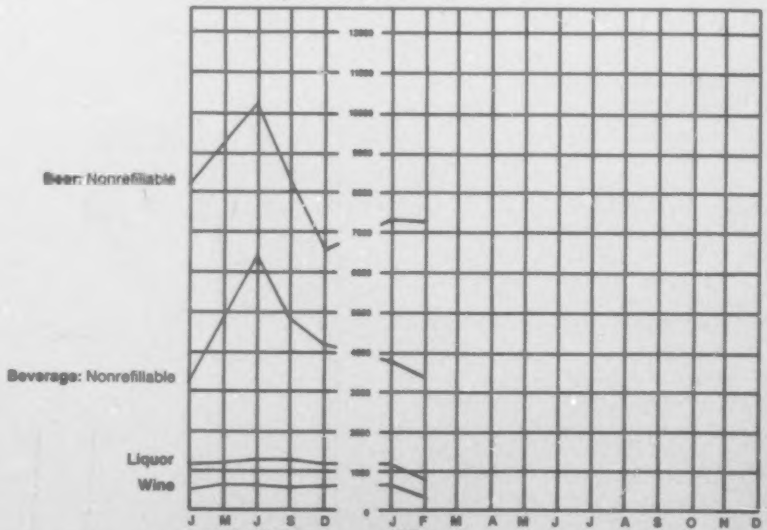
1983 Consumer Price Index (1967 – 100)



1983 Producer Price Index (1967 – 100)



Bottle Shipments (thousands of gross)



Beer, soft drink segmentation fuels demand for larger bodies

(Continued from page 1)

units for bottlers is becoming a major new market.

Not everyone is convinced that route trailers will dominate the industry. Some point out that imposition of new FET regulations dampened semi-trailer sales and will continue to do so. Others see the admitted decline as only a temporary reaction as customers again recognize the economics of bigger product payloads.

Kolstad Co. sees 28′ 6″ trailers pulled as doubles behind a single tractor as a growth product. Bob Burggren, Kolstad sales manager, says that bottlers with large geographic sales areas in the upper midwest now may legally pull two trailers to an outlying sales area where the train is broken down for delivery with route tractors. The transport tractor then picks up two trailers used for delivery the day before and returns to the plant. One customer has found this a means of eliminating satellite warehouses and small plants.

12 bay unit

A Kolstad innovation has been design of a 12 bay unit within the 28′ 6″ limitation which can scale out a full legal payload. Burggren says that became possible through use of aluminum body components for weight savings while a hi-tensile steel frame extending from the upper fifth wheel plate to suspension was retained for strength. Burggren claims that this approach makes the unit less vulnerable to shock and torque from both front and rear. He also says that the A frame becomes less critical.

To reduce road shock and vibratory stress Kolstad also has standardized on the Neway rubber spring suspension for all trailer models. That suspension is claimed to combine low weight, soft ride, and freedom from leaf spring maintenance and replacement. A Neway spokesman told **BI** that the new suspension gives a better ride than conventional leaf springs although not as good as the Neway air ride models. He also pointed out that ride is nearly identical whether the trailer is empty or fully loaded.

Mickey Truck Bodies, Inc., anticipates continuing growth of the route trailer market and further emphasis on higher capacities. To meet that anticipated demand they are introducing a new "20/20" series of semi-trailers rang-

New construction makes unit less vulnerable to shock and torque from both front and rear.

New Mickey 20-bay trailer shows upper section of shortened A-frame.

New Mickey Mover trailer aids deposit state bottlers

HIGH POINT, NC — The Mickey Mover, a new concept in general purpose van trailers for use with a one ton pickup truck, promises to meet some of the requirements of the beverage industry. Not intended as a route delivery vehicle for cased product, the unit was perceived to be a long lived, high cubic capacity vehicle for such purposes as collection of empty containers in states with bottle laws, keg delivery, and special use applications.

The new unit, which was introduced recently by the W. F. Mickey Body Co., is somewhat unique in that walls are single piece

(Continued on page 48)

Mover is designed for hauling empties.

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Plew's newest is a 14-bay route trailer. Recent models feature the diet Coke graphics.

ing in size from 12 bay single axle models to 24 bay tandems. According to a company spokesman, the all new design will feature true unibody construction for the first time in the industry. Design emphasis has been shifted from the traditional "A" frame carrying most of the load to unitization of massive rub rails, door posts, which are said to be the largest in the industry, and other structural components in an all aluminum, all welded assembly.

Another new development at Mickey has been an All-Weather Log, which features a pressurized seal against dust, rain, and snow the entire length of the door.

Dean Sink, general manager, says that virtually all new sales are 12 bay straight truck bodies and trailers ranging up to 20 bays. Only two or three eight bay units have been produced this year. Interest also seems largely confined to aluminum construction.

Depleted inventory

Sink declares, "Our sales are up sharply this year. In fact we are beginning to experience some delays in component delivery. Suppliers cut stocks so sharply over the past two years that a sudden increase in demand has exhausted supplies. Coors expansion into the southeast has helped considerably. We are producing a lot of combination roll-up and slam door insulated units and see it as a continuing trend as other distributors consolidate keg and case routes."

But the subtle changes in customer preferences has prompted a total new marketing approach at Mickey. Sink observed that the widespread and growing acceptance of all aluminum models with a life expectancy of 15-20 in many cases combined with larger unit preferences points to a shrinking market.

He says, "We always have been a low profile company largely serving a long established customer base. We are taking a much more aggressive stance not only in body sales but in a broad spectrum of products and services. We always have offered truck equipment such as lift gates, fifth wheels, etc. largely to local concerns.

"We have expanded that line to include service bodies and many other items. We also started producing a line of FRP van trailers for use with one ton pickups as the towing unit. In other words, we plan to meet the complete fleet needs of our customers."

Refurbishing

Sink went on to observe that refurbishing has become an important factor in the market. Mickey has set up a separate renovation facility and plans to market that service independently of body and trailer sales.

He and Carl Mickey, president, feel that although price trends will continue to reflect the higher quality construction and larger sizes, the lower numbers of units will result in more industry competition.

Carl Mickey emphasizes, "We have always taken good care of our customers and corrected any mistakes that sometimes occur in assembling any product. Now we are selling our warranty and our willingness to perform that service. We have extended the warranty to 10 years on the 20/20 series and established service centers at strategic locations to provide both renovation and warranty service with more convenience for the customer."

Shift in demand

Atlas Centennial Body Co. has introduced a line of trailers with combinations of swing and rollup doors as well as combinations of refrigerated and nonrefrigerated bays. That company, the result of a merger of Atlas and Centennial, also has seen a shift in demand from predominantly steel to about 95% aluminum.

Sales manager Bruce Parker asserts that when the new FET regulations went into effect, semi-trailer sales suffered for a time. He now believes the market has reverted to normal and expected route trailers to continue gaining market share.

Hesse is turning out both trailers and bodies at near full production capacity in both the Kansas City and Las Vegas plants. After a brief downturn earlier in the year, trailer sales have rebounded significantly. Plant executives report a heavy demand for 18-20 bay tandem axle units mainly from beer distributors. The company also has experienced a sudden upsurge in 24 bay transport trailers, high units with roll up doors.

Hesse also has gotten some demand for units with combi-

(Continued on page 44)

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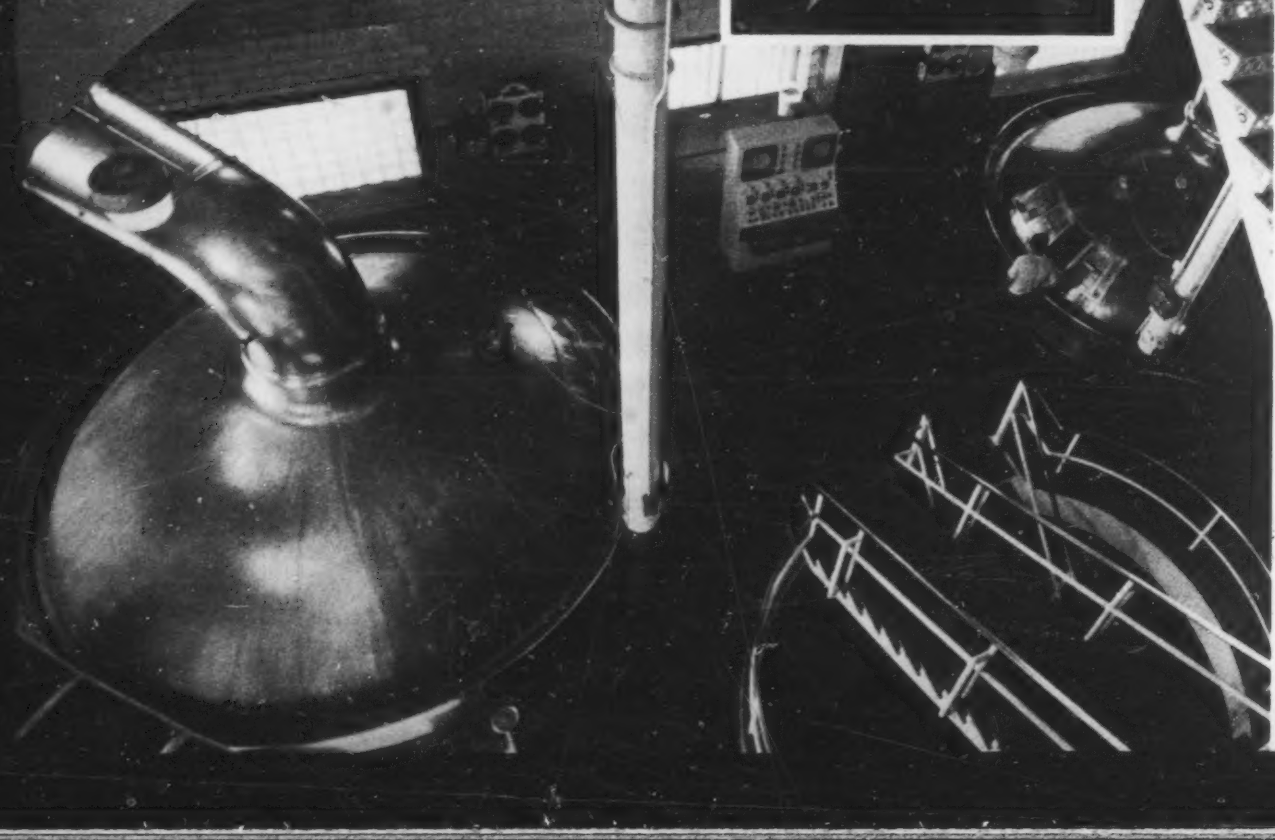

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Beer, soft drink segmentation fuels demand for larger bodies

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nations of roll up and swing doors. A limited demand for units with rear doors for dock unloading also has been experienced especially in the far west. Another model that seems to find steady acceptance is one with ramps on the rear compartment for transporting a forklift truck on the delivery route.

Hesse Corp. has for years devoted 100% of production to total aluminum equipment, a position they feel has been vindicated by recent industry moves toward more liberal use of the lighter material. As a result the lion's share of engineering efforts have been directed at running changes aimed at lowering maintenance costs and improving vehicle efficiency.

> ***"Our customers are specifying bodies ranging from four bays to the largest legal trailers based on volume generated by a route."—Reliable's Jay Hess***

In the aluminum vs. steel controversy, France Betten continues to view steel as a viable material especially for larger route trailers. A spokesman for the firm says that use of lightweight, hi-tensile frame members often permits assembly of route trailers that weigh less than competitive aluminum models.

France Betten also sees 12 bay bodies and 16 bay trailers as new industry standards but points out that the company has produced a number of 20 bay units this year and quoted on some 24 bay models. They predict that standardization on 16 bay units will be a short lived affair.

Richard Chvala of Swan, Inc., claims leadership in production of 16 bay route trailers for the first quarter of 1983. He attributes those sales in large part to gaining a FET exempt ruling for the Urbanite model. Chvala seems to feel that tax exemption is a major key to sales of 16 bay units.

Swan also takes a unique approach to trailer design with FRP (fiberglass reinforced plywood) bay backs and extensive use of aircraft grade fasteners instead of the all metal, welded assembly methods followed by the rest of the industry. Chvala contends that a trailer of necessity must flex which tends to break up welded seams.

***1982 beverage bodies**

steel vs. aluminum

Body type	Aluminum	Steel
Truck bodies	2205	480
Route trailers	1448	109
Others	11	0
Totals	3664	589
Grand total	4253	

*New units purchased.

Source: Truck body supplies.

Copyright: Beverage Industry October 1983

Trend to gas engines

The company has been heavily involved in specifying power equipment used in combinations and sees a trend back to gasoline engines and manual transmissions. Currently, gasoline engines account for about 50% of sales with about 80% of all trucks using manual transmissions. Chvala also says that both air ride and rubber spring suspensions are becoming popular features on new route trailers.

Newest contender in the field is Ekmer (Remke spelled backward) which has been producing largely 12 bay bodies and 16½ bay route trailers for the past three years. All personnel at the new plant are veterans of the now defunct Remke organization.

Jay Hess, president of Reliable Body Co., sees a definite trend to tailoring equipment to particular route applications. He says, "Our customers are specifying bodies ranging from four bays to the largest legal trailers based on volume generated by a particular route. That necessarily means that fewer are standardized on a body size and style."

Hess feels that trend has been bolstered by expansion of Coors with many new dual distributorships and the bottle laws in several states. He declares that a significant amount of interest is building in both bodies and trailers with two to four bays which are insulated and refriger-

(Continued on page 45)

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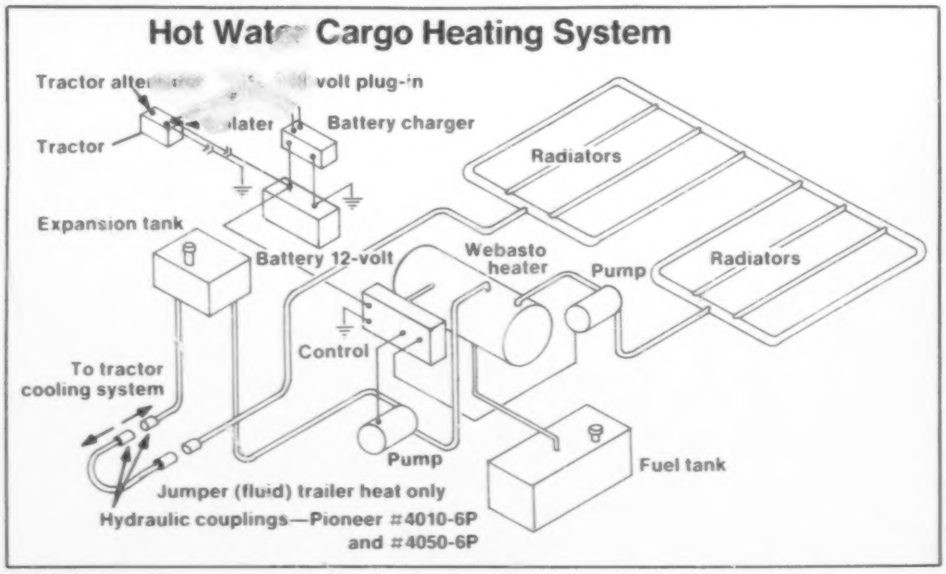
Tandem trailers replacing warehouses at Mid-America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Hydraulic couplings—Pioneer #4010-6P and #4050-6P

LENEXA, KS—New federal regulations, strengthened trailers, and a unique body heater have made it possible for Mid-America Coke, located here, to close a number of its satellite warehouses in the area.

Legalization of doubling the maximum dimensions of trailers allowed the firm to utilize the units as rolling warehouses. Product is loaded on two 28 ft. 6 in. long double bottom semis. These are then pulled in tandem to a prearranged spot where they are met by two "working" route trailers. The loaded trailers are disconnected and attached to the route tractors. The empty units are then connected to the transport tractor which will haul them back to the plant for reloading.

Kolstad Co., supplier of the trailers, designed them to carry 12 full bays of product within maximum legal payload limits. This was achieved by use of aluminum body and sheet metal components welded to a steel frame.

Bob Burggren, sales manager of Kolstad, says that the steel frame extending from the upper fifth wheel plate to the rear suspension is necessary to withstand forces exerted both front and rear on the first trailer in the train.

Cargo heat

Critical to success of such an operation in areas where temperatures may drop to -40° is cargo heat. A certain amount of time is lost waiting for route drivers at open meeting spots and in unhooking and rehooking the tractors.

A compact diesel fired heating unit mounts in the front bulkhead of the trailer together with a small pump and boiler. Heated fluid is pumped through copper lines installed in bay floors or the A-frame to circulate the entire length of the system. With thermostat controls the system operates automatically for minimum fuel use.

Quick disconnect hoses also link the system to the tractor cooling system. When tractor coolant reaches the proper level, the trailer system shuts off to fully utilize engine heat which otherwise would be lost to the atmosphere. Conversely, when the tractor engine is shut down the trailer heating system can be used to pump heated coolant to the tractor. The effect is an engine preheater that can be used where electricity normally is not available. This provides considerable fuel savings in an area where engines normally are operated around the clock when not stored in a heated building.

After using about 25 of the units through a winter season the bottler has made plans to acquire a number more.

• For more information on **Kolstad,** circle no. 211. ☐

Beer, soft drink segmentation fuels demand for larger bodies

(Continued from page 44)

ated for kegs or non-pasteurized beer. Most of those units are equipped with mechanical refrigeration units because of a more economical design.

Reliable finds the general trend is to larger units because of lower case transportation costs and because of bottle bills in several states. In New England states where straight trucks with smaller bodies have historically been the rule, a definite trend to 12½ bay bodies to accommodate returns in such states as Connecticut and Massachusetts has been noticed.

Special purpose vehicles also are gaining some acceptance. One recycling center ordered 61 high cube gooseneck trailers with sideloading doors and open bays especially for can collection. Like several other manufacturers, Reliable regards New York bottlers and distributors as a potentially lucrative market for equipment of this type once the bottle bill actually goes into effect.

Capacity increasing

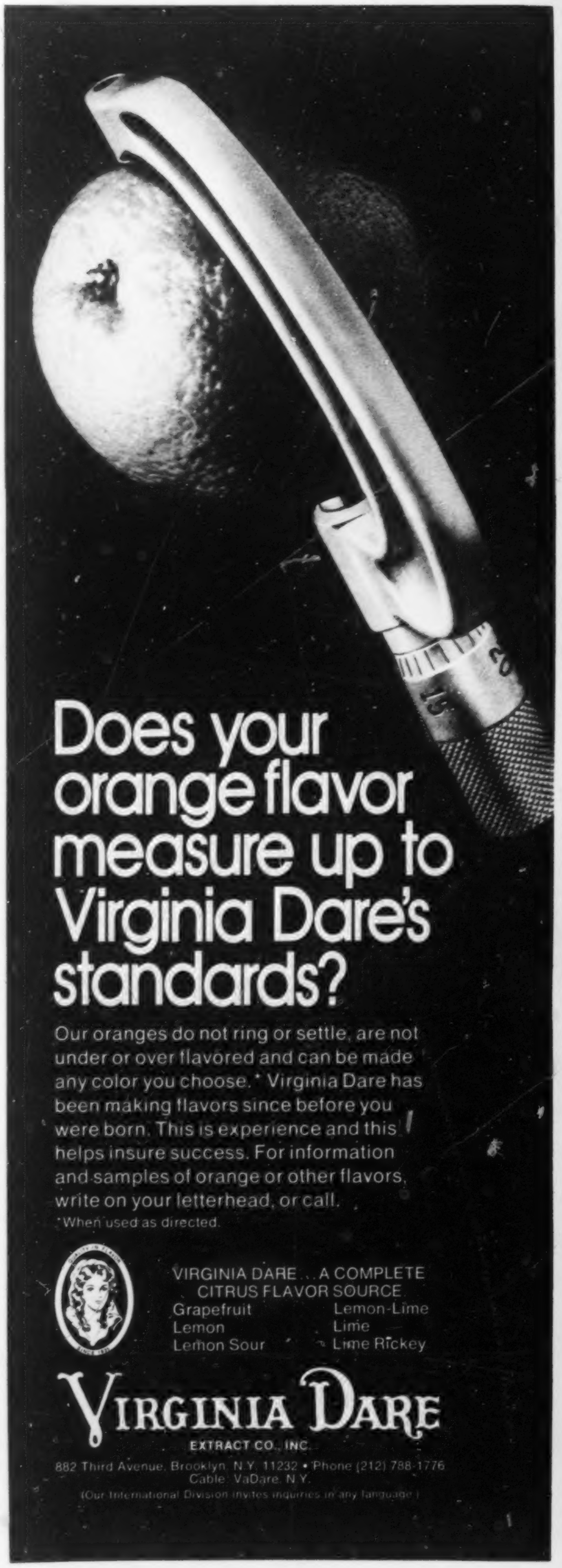
Elsewhere in the U.S. capacity also is increasing. The company has supplied some double bottoms to customers in New Mexico and expects new federal length and weight standards to promote more interest in double bottoms as an alternative to warehousing.

Hess says, "Customers who specify larger units for greater capacity also tend to become more quality conscious. Aluminum has become the standard material, and with renovation will give service life of 15 or more years. In fact, they tend to become obsolete before they are ready for scrap.

"Premium quality components also receive more attention than ever before. We offer disc brakes, rubber spring suspensions, sealed beam, shock insulated lamp housings and other features as options, that are getting more and more acceptance."

Like many others the company is finding that customers are turning to renovation as an alternative to replacement. Hess points out that straightening dents, replac-

(Continued on page 46)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Beer, soft drink segmentation fuels demand for larger bodies

(Continued from page 45)

ing door locks and rollers, and repainting essentially makes an aluminum unit into new.

Increasing costs of new equipment also has made leasing a major marketing tool for Reliable. The firm leases both chassis and bodies or semi-trailers as well as other transportation related equipment to give the user a single financial package. That concept of capitalization is becoming more and more popular.

Hess does not believe that vans are penetrating the specialized beverage vehicle market to any great degree. In fact he believes that a trend away from preselling should strengthen beverage body specialists market position.

Hub step innovation

Among the more recent innovations of the firm is an optional hub step mounted in the wheel of the struck drive axle. The round mesh cylinder folds out for a step but cannot be bent to rub against a tire which often occurs with conventional wheel well steps.

Ben Wilver, sales manager for the Columbus, OH, based Plew Co., said with smaller family-owned, independent bottlers diminishing, there has been a trend toward larger units.

Bodies with 18, 20 and more bays have grown popular. In addition, aluminum will continue to be more desirable, he believes, as long as the price doesn't increase too much. He said there have been two price increases over the last 90 days.

A market study by Hackney and Sons, Inc., tends to reinforce the opinions of other market observers. That study indicates that steel construction now accounts for less than 15% of the total market and will continue to decline. The obvious conclusion is that days of producing steel bodies are over.

The Hackney study also indicated that 67% of buyers prefer 10 and 12 bay bodies while 70% of trailer buyers prefer 16 bay units. Of the latter group 10% preferred larger trailers and the other 20%, smaller ones. Based upon historical data the company expects trailers to continue adding 3-4 points per year to a current 40% market share. That increase may not hold true this year because the excise tax change caused a temporary downturn in trailer sales.

Hackney study: 67% of buyers prefer 10 and 12 bay trucks; 70% of trailers are 16 bays.

Combination units

Hackney expects insulation and refrigeration as well as combination equipment to gain popularity in view of the fact that brewers are placing more emphasis on climate controlled warehouses. In a slow growth beer market, Hackney executives expect that flavor and freshness will become major marketing tools as competition increases.

The company is meeting this need with a "Combo" unit with both insulated and uninsulated bays. Also offered is a pallet load insulated box. A limiting factor in buyer acceptance of refrigerated equipment has been the added operating and maintenance cost of mechanical units. Hackney feels that cold plate cooling has advantages except in those areas with very high ambient temperatures.

The trend toward almost total use of aluminum has, of course, increased service life expectancy. A Hackney executive declares, "At more than $1 per pound aluminum has to deliver a longer average service life based on the durability of the aluminum body and trailer. This is what the customer wants and what we deliver. And it's why our 10-year limited warranty, the best in the industry, is called "TenDurance."

There appears little doubt that 12 bay bodies and 16 bay trailers are indeed the new standards of the industry nor that aluminum has largely replaced steel. One production manager for a major manufacturer declared that he finds it difficult to maintain an inventory and production lines for steel units with such light demand.

The demand for aluminum seems keyed to durability rather than weight savings. But some industry figures expect that some states will start enforcing weight limits more strictly as fuel taxes increase and the general public becomes concerned with condition of the highways.

● For more information on **Kolstad,** circle no. 226; for **Neway,** circle no. 227; for **Mickey,** circle no. 228; for **Hesse,** circle no. 229; for **France Betten,** circle no. 230; for **Swan,** circle no. 231; for **Ekmer,** circle no. 232; for **Reliable Body,** circle no. 233; for **Plew,** circle no. 234; for **Hackney,** circle no. 235.

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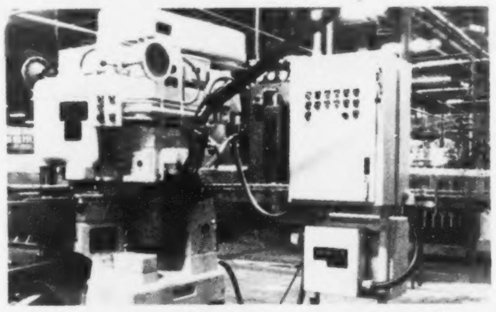

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